Annual Report 2016-17

VicTrack

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Letter to the Ministers

15 September 2017

The Hon Jacinta Allan MP
Level 20, 1 Spring Street
Melbourne VIC 3000

The Hon Timothy Pallas MP
Level 4, 1 Treasury Place
East Melbourne VIC 3002

Dear Ministers

I am pleased to submit to you for presentation to Parliament the VicTrack 2016-17 Annual Report for the period 1 July 2016 to 30 June 2017.

Yours sincerely

John Lenders
VicTrack Chair


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EMERGENCY EXIT
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Find your bliss
GIVE WAY
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PT>

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You're in the
< FREE TRAM ZONE >
Russell Street
Flinders Street
Stop 6
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2016-17 performance

Total operating revenue generated

$152.4m

Reinvested into the state's transport assets

$39.7m

- $7.2m rail infrastructure
- $25.6m telecommunications infrastructure
- $4.4m environment
- $0.6m heritage
- $1.0m bridges

Telecommunications revenue

$53.8m

Received for public transport projects

$160.2m

Freight-related revenue

$3.3m

Billboard and carpark portfolio revenue

$5.3m

Property-related revenue (incl. licenses, land sales and rental)

$56.3m

Other revenue

$34.7m

Our asset portfolio

Total assets	$32.3b
Track	$6.9b
Rolling stock	$3.6b
Stations, bridges, buildings and structures	$5.0b
Signalling and communications	$2.9b
Building and infrastructure WIP	$5.8b
Land (reserved for transport use)	$4.4b
Plant and equipment (including myki)	$0.9b
Melbourne Underground Rail Loop	$2.8b

Section 1:

Year in review

Vision

We share a common vision as part of Transport for Victoria (TfV) "...to meet the aspirations of Victorians for an integrated and sustainable transport system that contributes to an inclusive, prosperous and environmentally responsible state".

In realising this vision, we are working towards a transport system that promotes:

- social and economic inclusion
- economic prosperity
- environmental sustainability
- integration of transport and land use
- efficiency, coordination and reliability
- safety, health and wellbeing.

Purpose

VicTrack enhances Victoria's transport assets to safely connect people, places and opportunities.

Mission

To protect and grow our transport assets and drive reinvestment to service Victorians now and into the future.

Values

In addition to the Victorian Public Sector Values, VicTrack also promotes the values of:

Respect
We will show respect to each other by appreciating differences and actively listening; being courteous and considerate; communicating openly and with empathy.

Achievement
We will show achievement by being accountable for doing what we say we will do; proactively solving problems; appreciating each other's outcomes, progress and efforts.

Professionalism
We will show professionalism by delivering high-quality and timely work; communicating effectively and with positivity; being prepared.

One Team
We will show teamwork to each other by being collaborative, cooperative and inclusive; sharing information, knowledge and expertise; supporting others to solve problems and achieve common goals.

Chair's report

The past year at VicTrack has been about partnership and support. With the newly created Transport for Victoria (TfV) bringing together planning and development across multiple transport-focussed agencies, it has been a great opportunity for us to work on behalf of and alongside the government on the state's most significant transport initiatives.

Collaboration with the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) and TfV has occurred successfully right across the business, allowing us to strengthen our alignment with the rest of the transport family.

We increased our project delivery capacity to support some of the government's major transport projects, providing expertise in telecommunications, asset protection, land management and property development to our transport agency partners.

We also worked in consultation with DEDJTR and TfV on a number of reporting and risk-related matters. Coordination with TfV on our annual reports and corporate plans ensures greater alignment with TfV agencies, and managing shared risks within government has strengthened our capability to reduce risk across our business and the transport sector as a whole.

Long-term management of our assets continued to be a priority this year. We accelerated implementation of our Strategic Asset Management Plan to ensure the state's transport-related land, infrastructure and assets are managed sustainably and derive value for our customers and stakeholders.

We are building our asset management capability in line with the requirements of the Department of Treasury and Finance's (DTF's) Asset Management Accountability Framework, and we are on target to meet our obligation under the Standing Directions, Asset Management, for 2017-18.

In January 2017 the Office of the National Rail Safety Regulator accepted our application to include Trunk Telecommunication Infrastructure (TTI) for the metropolitan train network into VicTrack's Notice of Accreditation. This bookends a long and challenging process with the rail regulator, consisting of four variation applications and extensive engagement. VicTrack now has appropriate rail accreditation for the operations of the rail and telecommunications business, improving safety conditions for all individuals who work in the rail corridor.

I would like to thank all our sector partners and those who have worked with VicTrack this year to help us achieve our mission to enhance the state's transport assets and support a thriving transport system.

My thanks also to Minister for Public Transport Jacinta Allan and Treasurer Tim Pallas for their ongoing commitment to improving transport in Victoria, and for their vision in creating TfV to address the challenges associated with a rapidly growing population and ageing transport infrastructure.

I extend further thanks to my fellow Board members for their hard work and dedication to VicTrack's Board and sub-committees over the last 12 months. Thanks in particular to David Hunter and Brian Bulluss, who retired at the end of July this year. Both David and Brian joined the VicTrack Board in September 2011 and have served well on the Board and on a number of sub-committees during that time. I look forward to welcoming Randall Straw to the Board in 2017-18.

Finally, I would like to thank Chief Executive Cam Rose for his ongoing vision, passion and leadership, and for successfully navigating VicTrack through a period of growth and transition over the last year. VicTrack is privileged to have a Chief Executive of Cam's calibre and I was immensely pleased to see his exemplary service to sports administration, to infrastructure and transport development, and to the community of Victoria recognised with an Order of Australia (AM) in the 2017 Australia Day Honours.

As VicTrack enters its third decade, I look forward to our continued partnerships within the transport sector to ensure the state's assets continue to serve Victoria well into the future.

John Lenders
Chair

Chief Executive's report

As we approach our 20th anniversary, VicTrack continues to play a critical role in supporting Victoria's transport network. Throughout 2016-17 we worked in partnership with the Victorian Government and transport-focussed agencies to develop and deliver asset improvements that will cater for a rapidly growing population.

The formation of TfV in June 2016, and our membership of the TfV Transport Executive Board, enabled us to strengthen our stakeholder partnerships during the year. Our expertise in asset management and telecommunications assisted in the planning, design and delivery of works for some of the government's major transport projects. We continued to support TfV's long-range Transport Asset Strategy Plan, and we increased our project delivery capacity to support TfV and Public Transport Victoria (PTV) to deliver a number of major projects.

These included the $20 million Station Car Park Upgrades Program, which we are managing on the government's behalf. Thanks to detailed planning work by our Project Delivery Group, we have been able to provide more than 600 extra station car parking spaces within the allocated budget, taking the total to more than 2,100. This will provide better access for commuters and value for Victorian taxpayers.

In line with our strategy to modernise the state's transport telecommunications and provide a secure, standard platform for the government's major transport program, we progressed delivery of the Transport and Government Secure Network (TGSN). New network equipment was selected and we commenced the design and delivery of an integrated IP/MPLS network that will support current and future state transport initiatives including the Level Crossing Removal Project, Metro Tunnel and West Gate Tunnel.

Another major accomplishment for our Telecommunications Group during 2016-17 was managing the government's $18 million Regional Rail Connectivity Project to improve mobile coverage and connectivity along a number of key V/Line routes.

Our Property Group achieved a number of milestones during the year. Record land sales worth $18.5 million included the sale of air rights over Parliament Station at 87 Spring Street and significant land sales in Sunshine, Mentone, Prahran and Somerville.

VicTrack's property development pipeline presents a great opportunity to increase housing diversity and density near public transport connections. We have continued to work closely with local municipalities to review land assets and assess their future use, as well as identify opportunities to contribute to the state government's affordable housing development strategy.

The property team also progressed the St Albans retail precinct, Jewell Station and Hampton Station precinct developments alongside our development partners, and completed the transformation of the former Caulfield City Rifle Range into a bar and eatery, livening the forecourt entrance to Elsternwick Station.

We worked with our partners in state and local government to progress our Regional Station Precinct Master Plan Program, commencing the development of urban plans for regional transport hubs in Ballarat, Mildura, Bendigo, Swan Hill and Geelong.

Under our Community Use of Vacant Rail Buildings Program, we invested $2.3 million in 2016-17 to revitalise vacant rail buildings across regional Victoria, transforming them into affordable spaces for use by local communities. The success of this program was recognised with a government leadership award from the Property Council of Australia.

Implementation of our Strategic Asset Management Plan was accelerated during the year. Our focus has been on understanding our asset condition and capability to provide reliable performance and ensure a solid foundation for increasing service to our customers and partners.

In July 2016 we rolled out our refreshed brand, including our updated website. This has allowed us to achieve greater consistency across all our collateral, as well as give us a better understanding of what we do and what we deliver.

In line with our Corporate Plan objectives and our vision to operate as 'One VicTrack', we began the consolidation of our staff into one building at 1010 La Trobe Street in April 2017. We leased an additional floor and began several months of refurbishments to our office environment and facilities, with all staff scheduled to relocate to their new office space by August 2017.

The office accommodation project has also been a catalyst for reviewing our internal maintenance practices and will ensure our move towards becoming an environmentally sustainable workplace focussed on collaboration. I extend my gratitude to the office accommodation steering committee and working group for their hard work in bringing this project to fruition.

I thank the whole Board for their vision and leadership, in particular the Chair Mr John Lenders. Further, on behalf of the whole Executive Team I wish to express our gratitude to David Hunter and Brian Bulluss, who retired at year end after six years of dedicated service. During their time on the Board, both David and Brian served on a number of Board committees, many as Chair. During 2016-17 David was Chair of the Audit and Risk Management Committee, while Brian chaired the Telecommunications Committee.

It has been a productive year and I would like to thank the Executive Team for their continued support and dedication to their jobs. Further, I would like to thank and acknowledge our partners in the transport sector for their close collaboration with VicTrack.

Campbell A. Rose AM
Chief Executive

About VicTrack

VicTrack owns Victoria's rail transport land, assets and infrastructure. We work to protect and grow the value of the portfolio, to support a thriving transport system, and make travel and living better for all Victorians.

Our role in transport

With much of the asset portfolio dedicated to transport – our land, infrastructure, trams and trains, and telecommunications networks – our focus is strategic asset management and supporting the delivery of better transport solutions.

Whether we're planning and managing the use of transport land, upgrading the telecommunications network or delivering major infrastructure projects as a key agent of the government's transport agenda, our job is to ensure the state's assets continue to serve Victoria now and into the future.

With a strong commercial focus we drive even greater investment back to transport and communities, and support other non-commercial activities like community projects and environmental and heritage preservation.

Our core functions

Victoria's *Transport Integration Act 2010* sets out the objectives for each transport sector agency. As the asset owners, our role is to manage the assets consistent with transport system objectives.

Our core functions include:

- telecommunications services and network infrastructure that supports public transport
- managers of land set aside for rail transport purposes, including the development and sale of land no longer required for rail transport
- project management and civil engineering services for rail infrastructure upgrades
- transport facilities and asset management, including the open access Dynon Rail Freight Terminal and heritage, building, and environmental preservation.

Our Statement of Expectations

Following the creation of TfV in June 2016, the Minister for Public Transport issued VicTrack with a Statement of Expectations that confirmed its role and future direction.

It stated VicTrack will continue to have a dual role as a transport agency and as a commercial agency with development interests outside of the transport portfolio, with no changes to VicTrack's form or functions. In relation to transport functions, VicTrack is to maintain its focus on core responsibilities and work across government to develop and deliver asset improvements. VicTrack should also continue to support the asset management reform underway in DEDJTR.

In relation to communications assets, VicTrack should work as part of an integrated team with DEDJTR and PTV under TfV on technology assets for the state's transport system over the long term.

VicTrack's role as a commercial developer and controller of communications assets should be preserved and VicTrack should continue to develop projects in and around rail corridors.

Our partners

The *Transport Integration Amendment (Head, Transport for Victoria and Other Governance Reforms) Act 2017* established the Head, Transport for Victoria as a new statutory office and the lead transport agency in Victoria to integrate and coordinate the state's transport system.

VicTrack works closely with TfV to address challenges and support their responsibilities. While VicTrack remains an independent government business enterprise, it sits on the TfV Transport Executive Board and is a key partner for transport projects.

VicTrack also works on behalf of the Victorian Government alongside PTV, Metro Trains Melbourne (MTM), Yarra Trams, and V/Line. We report to the Treasurer and the Minister for Public Transport, and work closely with DEDJTR and DTF.

We also work with a wide range of other government departments, agencies, authorities, community organisations and private sector partners.

Business groups

As partner to almost every rail transport project in Victoria and provider of core services to the sector, our operational structure works to support the various roles and functions we fulfil.

Our business is made up of three specialist delivery groups – property, telecommunications and project delivery – which are supported by the Office of the Chief Executive and Business Services. Each delivery group provides various disciplines in asset management and service delivery.

Telecommunications

As a licensed telecommunications provider and with network infrastructure that spans the state, we provide a full suite of telecommunications services to the transport sector. Our networks provide the backbone to public transport customer information, myki ticketing, driver communications and other network critical systems, such as signalling. We also provide 24-hour network monitoring, and planned and emergency repair and maintenance to ensure the highest standards of reliability for the transport system.

Property

As land owners, our role is to ensure our transport land best serves the sector and Victorian communities. With vast land parcels that span the state and air rights throughout the public transport corridor, we work across all land use matters impacting on transport land, including land sales and acquisition, property development, commercial leasing, land use and access, infrastructure and facilities management and heritage and environmental preservation.

Project Delivery

Whether we're actively upgrading infrastructure or working alongside Victoria's major transport initiatives, our Project Delivery Group provides expertise across all disciplines that impact rail land, infrastructure and telecommunications networks. Our services include project management and project delivery in both civil engineering and telecommunications projects – as well as safety and technical services.

Performance reporting: non-financial

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1155
MADE IN
VICTORIA
Quiet carriage
1155
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Strengthening the network

Ensuring the state's assets serve Victoria's current and future transport outcomes is a key priority for VicTrack. In line with this, 2016-17 saw us progress a number of significant long-term projects designed to bring our telecommunications networks into the digital age and improve connectivity and coverage for commuters in regional and metropolitan rail corridors.

Transport and Government Secure Network

Delivery of the Transport and Government Secure Network (TGSN) was progressed during 2016-17 in line with our strategy to provide a consolidated, multi-purpose network that supports current and future Victorian public transport operations.

Within the broader TGSN, we are undertaking a transformation project to modernise our ageing telecommunications infrastructure and move to a single modern internet protocol network.

The first of two key projects within this transformation project was completed during the year, with the selection of new network equipment to enable the integration of one of the old applications and systems currently used by rail operators into a modern telecommunications network.

The second project is to design the reference architecture and proof-of-concept testing required to support the future deployment of an integrated IP/MPLS network. This project is currently underway and will minimise the risk of network failures and provide an equipment solution to support a secure, standard platform for major transport initiatives such as the Level Crossing Removal Project, Metro Tunnel and West Gate Tunnel.

DTRS upgrade Market-Led Proposal

A proposal to upgrade the Digital Train Radio System (DTRS) progressed to Stage 4 of Treasury's Market-Led Proposal (MLP) process in November 2016.

The proposal will see the DTRS upgraded from a GSM-R (2.5G) network to a Long-Term Evolution (LTE) wireless communications standard (4G) network that can support extra services on the metropolitan train network, more timely and detailed maintenance alerts, more accurate arrival times, and high-capacity signalling.

The upgraded network will also improve Vodafone's mobile phone coverage along metropolitan Melbourne's train lines.

The MLP is still being considered by the state government and a decision will be made by the end of 2017 as to whether it proceeds or not.

Mobile coverage on V/Line routes

VicTrack is managing the state government's $18 million Regional Rail Connectivity Project to improve mobile coverage and connectivity along the Geelong, Ballarat, Bendigo, Traralgon and Seymour rail lines.

In partnership with Telstra, Optus and Vodafone we are implementing in-train technology used to boost the signal from mobile towers outside the rail carriage to devices used inside.

Work began in 2016-17 to pilot the installation of mobile reception repeaters in 75 VLocity trains, which is designed to boost in-train coverage from less than 50 per cent to almost full network coverage.

Passengers will progressively experience improved mobile coverage once construction of new mobile towers along all five rail corridors commences after the pilot process, in late 2017, with completion scheduled for 2018.

Regional rail communications upgrade

Work to replace the Non-Urban Train Radio (NUTR) system with new digital communications technology continued over the last 12 months, and is set to be completed in September 2018.

VicTrack continued to shut down the NUTR system in stages as the regional rail communications solution replaced old systems on trains in regional areas. All major rail operators are expected to have transitioned to new digital communications by September 2017.

We have been working with V/Line and PTV to support heritage and tourist rail operators in their transition to the new system.


LEVEL
CROSSING
REMOVAL
AUTHORITY
LEVEL
CROSSING
REMOVAL
AUTHORITY

Supporting Victoria's major transport projects

VicTrack plays a vital role in delivering Victoria's major public transport initiatives through our involvement in landmark transport projects. Our objective to provide expertise in telecommunications, land management, property development and asset protection was achieved during 2016-17 as we continued to work alongside statutory transport agencies to deliver some of the biggest public transport projects in Victoria's history.

Level Crossing Removal Project

Over the past 12 months, the Level Crossing Removal Authority continued its work to remove 50 of Melbourne's most congested and dangerous level crossings.

We worked alongside the project to provide design advice and installation of new infrastructure to support current and future telecommunications requirements as well as land and asset advice, such as the location of underground services and other infrastructure.

We also rerouted and installed telecommunications cables and network transmission equipment for the project.

Other functions included providing access to rail land, assistance with integrated development opportunities, advice on environmental land management, and working with leaseholders where the project affected occupied land.

Metro Tunnel

As early works began on the Metro Tunnel and the procurement of contractors to deliver key work packages ramped up, we worked closely with the Melbourne Metro Rail Authority to provide advice on the preparation of specifications, designs and technical requirements, as well as delivering some enabling works for the project.

We also provided advice on land management and worked with VicTrack leaseholders occupying land affected by the project.

As the project progresses and major works begin, our role will include extending and upgrading the VicTrack telecommunications network and delivering infrastructure to support mobile carrier services in the underground tunnels, as well as land and environmental advice and support.

West Gate Tunnel Project

During 2016-17 the contract to deliver the West Gate Tunnel Project was awarded to a consortium led by John Holland and CPB Contractors.

The tunnel will become an alternative to the West Gate Bridge from the western suburbs.

Our role involved working with the Western Distributor Authority on project plans, and reducing the impact on VicTrack-owned land affected by the project. We also reached agreement on the construction of new fibre optic cable along the new road alignment, to strengthen VicTrack's telecommunications network.

Revitalising transport precincts

As land and asset owners, our focus is on unlocking the potential of transport assets to service communities. Our goal is to bring places to life with more connected precincts offering better commuter links, safer travel, more activated community spaces, and commercial services that add to local streetscapes. During 2016-17 we invested in the revitalisation of historical rail infrastructure in rural and regional Victoria and delivered upgrades and improvements to a number of station precincts around the state.

Community Use of Vacant Rail Buildings Program

In 2016-17 we invested $2.3 million to continue to refurbish Victoria's historic rail buildings and open them up to local communities, through the Community Use of Vacant Rail Buildings Program.

The program revitalises vacant rail buildings across regional Victoria and transforms them into affordable community spaces.

Over the past four years the program has restored 16 buildings in 14 townships. It is now fully funded by VicTrack to ensure the state's railway buildings continue to be preserved for future generations.

Work took place in 2016-17 on the following station buildings:

Avoca
The Avoca Station building was transformed into a community arts hub. The building now provides the community with an area for visual and performing arts, alongside a flexible community meeting and event space.

The building was opened by the Hon Jaala Pulford MP, Minister for Regional Development, at a community celebration in March 2017.

The land around the building has been made available to develop a gardens precinct in the future.

Willaura
We began the conversion of the Willaura Station building into a multi-use community and meeting space.

Once the works are complete, Ararat Rural City Council will lease the Willaura Station building and sub-lease it to community group Willaura Modern Inc.

Dingee
We also began restoration works at the historic Dingee Station building to create a new library agency of the Central Goldfields Library Corporation, to provide improved library access in the district and a meeting place for local students, reading groups and train users.

When it opens, it will become the Dingee community's first permanent library. Loddon Shire Council will lease the building with a sub-lease to Dingee Country Women's Association Inc., who will manage the new facility in partnership with the Central Goldfields Library Corporation.

National award for refurbishment program

The Community Use of Vacant Rail Buildings Program won the national award for 'Best Government Leadership' at the Property Council of Australia's Innovation and Excellence Awards in May 2017.

The award recognises significant innovation and excellence by government in the property investment and development industry.

Heritage and bridge rehabilitation programs

Heritage preservation
As part of its ongoing $1 million annual Heritage Program to preserve heritage-listed rail assets, VicTrack completed restoration works at Healesville Goods Shed, Murrayville Station and St Arnaud Station. The projects include works to re-point brick work, repair internal floors, restore window and door frames and install new glass windows, gutters, downpipes and drainage as well as restumping.

Bridge rehabilitation
We continued our ongoing commitment to improving bridges across the state in 2016-17 under our $1.5 million Bridge Rehabilitation Program. Improvements during the year included re-decking, strengthening works and safety barrier upgrades at Merbein (McEdwards Street road bridge), Ballarat (Armstrong Street road bridge) and Korumburra (Bridge Street road bridge).

Elsternwick rifle range

This $2 million property development project at the site of the former Caulfield City Rifle Club came to fruition in January 2017 with the launch of Bang Bang at the Rifle Club – a new bar and eatery.

The existing red brick heritage building had been sitting derelict on VicTrack land since July 2000. The refurbishment and expansion of the building was a collaboration with Glenhuntly Rifle Pty Ltd and Six Degrees Architects to revitalise this area of the Glenhuntly Road shopping strip.

The restaurant's ground floor frontages open onto Elsternwick Plaza, and the project complements the City of Glen Eira's redevelopment and upgrade of the plaza.

Bang Bang at the Rifle Club is the latest venture from the Riverland Group, the innovative company behind the revitalisation of some of Victoria's most iconic sites, including The Boatbuilder's Yard, Pilgrim Bar and Wye River General Store.

Hampton Station precinct

Following further community engagement, our development partners epc.Pacific lodged their town planning application with Bayside City Council for the Hampton Station precinct development during 2016-17.

The application is currently before the Victorian Civil and Administrative Tribunal (VCAT) and, if approved, the planned mixed-use development will fund improvements to the commuter hub, including station upgrades, a new station forecourt, a safer bus interchange and better parking facilities.

St Albans retail precinct

We continued to secure tenants for a new 700 square metre premium retail precinct at the rebuilt St Albans Station, pre-committing retailers for three spaces.

Following the removal of the level crossing at Main Road, the retail development around the station is a focal point for the town centre, activating the area and improving connections between the station, the new bus interchange and the rest of St Albans.

Jewell Station precinct

During 2016-17 our development partner Neometro continued marketing and presales of the apartments that will form part of the revitalised Jewell Station precinct.

The historic station building will form the centrepiece of the revamped station forecourt. Station improvements will include a new ramp and stairs, along with bike parking and upgrades to the Upfield bike path.

Once completed, the project will deliver connected urban living with better commuter links, safer travel, and retail and services that add to the amenity and security of the local neighbourhood.

Regional Station Precinct Master Plan Program

Ballarat Station

Working in partnership with Regional Development Victoria (RDV) as the lead agency, VicTrack continues to support the urban renewal development around Ballarat Station, in collaboration with DEDJTR and Ballarat City Council.

In late 2016, the government announced Pellicano Group as the successful consortium to deliver the project. Following consultation with the community, a Development Application was submitted in April 2017 to transform the area around the Ballarat Station into a thriving precinct for locals, commuters and visitors. The proposed development features the refurbishment of the disused heritage goods shed into a modern conference centre and a new 4.5-star hotel. The project also includes a two-storey commuter car park, internal road access and pedestrian improvements and a public plaza for community events.

The project will inject more than $40 million into the regional economy, leveraging significant public and private sector investment. Construction is expected to begin in the second half of 2017 once all of the necessary planning and heritage approvals are granted.

Mildura Riverfront Precinct Redevelopment

VicTrack supported the delivery of stage one of an $18.3 million redevelopment of a 1.2 km stretch of riverfront parklands in Mildura, managed by Mildura Rural City Council. VicTrack will continue to support stage two of this project, assisting with the development of a business case to support the 2010 Riverfront Master Plan.

Bendigo Station

VicTrack began working with the City of Greater Bendigo during the year, to undertake the preparation of a Bendigo Station Precinct Master Plan. The Master Plan will provide the basis for mapping the long-term future development of this key precinct.

Swan Hill Riverfront

During 2016-17 we explored development opportunities identified in the Swan Hill Riverfront Master Plan produced by Swan Hill Rural City Council. VicTrack is assisting Council and Regional Development Victoria with the preparation of a Swan Hill Commercial Development Strategy and Implementation Business Case.

Geelong Station

VicTrack provided assistance to the Revitalising Central Geelong Partnership as preparations for the production of a Geelong Station Precinct Master Plan commenced. The Revitalising Geelong Partnership comprises officers from state departments and agencies as well as the City of Greater Geelong, and has been established to implement the Revitalising Central Geelong Action Plan. More detailed work will be carried out during 2017-18.

Delivering projects for government

VicTrack works on behalf of the transport sector to renew and upgrade rail infrastructure. As the transport asset owners, we aim to ensure projects make the best use of Victoria's transport resources and serve transport outcomes across time. During 2016-17 we increased our project delivery capacity to support TfV and PTV in the delivery of a number of major projects. Our project approach builds on extensive consultation with key stakeholders, including TfV, PTV, V/Line, MTM and local government.

$20m Station Car Park Upgrades Program

The Victorian Government's $20 million Station Car Park Upgrades Program will deliver more than 2,100 new sealed car park spaces across metropolitan and regional train stations experiencing high growth in passenger numbers.

Announced in the 2016/17 Victorian Budget, the allocated funding was initially for the construction of 1,500 new car parks but detailed planning work by VicTrack has seen that number increase by an additional 600 spaces.

VicTrack is managing the delivery of the Station Car Park Upgrades Program on behalf of the Victorian Government. The project will provide relief for commuters and ease parking pressure on local streets near the stations. It will also improve accessibility and safety through new lighting, CCTV and signage at each of the new car parks.

In late 2016, community information sessions commenced across the 14 stations where new car parks were proposed. Feedback from the community helped inform the final car park designs.

By June 2017, construction works had commenced at several sites, and upgrade works across the 14 stations will continue throughout 2017.


PT
Woodend Station
Platforms
Information
Coaches

$15.8m Bendigo and Eaglehawk station upgrades

VicTrack started the revitalisation of Bendigo and Eaglehawk stations on behalf of the government during 2016-17.

Upgrades to both stations deliver on community priorities in the Victorian Government's Regional Network Development Plan, and are consistent with the City of Greater Bendigo's integrated transport and land use strategy, the Bendigo Station Improvement Plan and the Eaglehawk Station Precinct Master Plan.

The first major upgrade to these transport hubs in decades, the Bendigo and Eaglehawk station upgrades will improve accessibility, usability and amenity at both stations. The second phase of this project will be issued to market in late 2017, with completion expected by early 2019.

At Bendigo Station, a new pedestrian overpass with lifts and stairs will be installed to enable better pedestrian movement between platforms. There will also be bus interchange improvements, with better parking and traffic management outside the station, and an improved station waiting area.

A platform extension and more car parking at Eaglehawk Station will make the station accessible for people of all abilities.

$9m Gippsland Rail Corridor Station Upgrade Program

VicTrack released the tender for the Gippsland Rail Corridor Station Upgrade Program in April 2017, to deliver upgrades at four stations, at Traralgon, Moe, Morwell and Trafalgar. Works, including new car parks, bus shelters and bus bays, platform shelters, bicycle hoops and improved station access, are expected to commence in the second half of 2017.

$3.8m Broadmeadows Station Upgrade Program

As a key part of the revitalisation of the Broadmeadows Metropolitan Activity Centre, VicTrack will award the Broadmeadows Railway Station Upgrade Program in the second half of 2017 to improve connectivity and facilities at the station, including a new northern entrance, revamped toilets and a refresh of the existing pedestrian subway. Safety improvements at the Pascoe Vale/Dimboola Road intersection will also be carried out. Tenders for this project were released in December 2016, with works due for completion in 2018.

$19.5m Road and Rail Minor Works Program

On behalf of the Victorian Government, VicTrack is delivering a selected upgrade of regional railway stations and bus interchanges, providing improved facilities for regional public transport users. The Road and Rail Minor Works Program responds to priorities under the Regional Network Development Plan, as part of the Victorian Government's $1.3 billion investment in regional public transport in the 2016/17 State Budget.

The Road and Rail Minor Works Program will deliver additional commuter car park spaces, new bus shelters, improved station amenities and bus interchanges, new passenger information displays, and new bike facilities across five regions – Barwon South West, Gippsland, Grampians, Hume and Loddon Mallee.

Contracts for the Road and Rail Minor Works Program are scheduled to be awarded in late 2017, with the project due to be completed by the end of 2018. VicTrack is running a series of sessions to provide the community with information about the upgrade works.

Level and pedestrian crossing upgrades

VicTrack delivered a total of 29 level and pedestrian crossing upgrades in 2016-17, including 21 under the State Level Crossings Upgrade Program and eight under the Safer Country Crossings Program.

VicTrack also supported state government plans to accelerate its Safer Country Crossings Program so all upgrades are finished by the end of 2018. The $50 million Safer Country Crossings Program was due to be complete by mid-2019, which was set to upgrade 52 priority road and 25 priority pedestrian locations carrying high-speed passenger trains or a high number of heavy vehicles.

In 2016, VicTrack was selected to deliver construction works for 10 road and four pedestrian safety upgrades during the first year of the program. VicTrack is also delivering Year 2 of the Safer Pedestrian Crossing Upgrade Program, consisting of seven road and three pedestrian crossings.

Most locations to be upgraded were on the Australian Rail Track Corporation (ARTC) network, with a smaller number of shared ARTC and V/Line locations.

2016-17 Safer Country Crossings Program (projects completed)

Site	Treatment
DeoP Broadford, Broadford (ARTC)	Automatic Gates and Electromagnetic Latches
DeoP Broadford, Broadford (V/Line)	Electromagnetic Latch Gates
Nagambie-Locksley Road, Locksley	Boom Barriers and Flashing Lights
Mahers Road, Violet Town	Boom Barriers and Flashing Lights
Palmerston Street, Baddaginnie	Boom Barriers and Flashing Lights
Carroll Road, Benalla	Boom Barriers and Flashing Lights
Rutherglen-Springhurst Road, Springhurst	Boom Barriers and Flashing Lights
Racecourse Road, Chiltern	Boom Barriers and Flashing Lights

2016-17 State Pedestrian Crossing Upgrade Program (projects completed)

Old Geelong Road, Hoppers Crossing (x2)	Electromagnetic Latch Gates
Greville Street, Prahran (x2)	Electromagnetic Latch Gates
Gaffney Street, Pascoe Vale	Electromagnetic Latch Gates
High Street, Reservoir	Electromagnetic Latch Gates
DeoP Reservoir, Reservoir	Electromagnetic Latch Gates
Glen Huntly Road, Glen Huntly (x4)	Electromagnetic Latch Gates
Church Street, Brighton (x2)	Electromagnetic Latch Gates
UeoP WANDONG, Wandong (x2)	Automatic Gates and Electromagnetic Latches
Willis Street, St Albans	Automatic Gates and Electromagnetic Latches
Hutton Street, Thornbury (x2)	Electromagnetic Latch Gates
Bell Street, Coburg (x2)	Electromagnetic Latch Gates
Chelsea Road, Chelsea	Electromagnetic Latch Gates

Strengthening our commercial asset portfolio

One of our major objectives is to strengthen the value of our commercial assets and find opportunities to return investment back into the transport sector. During 2016-17 our commercial property and land sales delivered positive results that strengthened the value of our commercial asset portfolio and returned revenue back into transport and Victorian communities.

Land sales program

VicTrack sells land no longer required for transport purposes under an annual land sales program. Land releases make an important contribution to economic development, housing availability and community infrastructure projects, as well as supporting state government policy and initiatives.

The land sales program unlocks land parcels, including air space, for redevelopment. During 2016-17 we achieved 11 land sales worth $18.5 million, with significant sales made in Sunshine, Mentone, Prahran and Somerville.

Included in this was the sale of the air space above 87 Spring Street, Melbourne, at the entry to Parliament Station. The sale was the culmination of three years' work by VicTrack's Property Group and Legal Team and will deliver a revitalised Parliament Station entry.

Although a large portion of land sold is used for residential redevelopment, VicTrack provided adjoining land in Mentone to enable the development of a retirement village to be used for open spaces for residents to enjoy.

Land was also released to support major road widening projects in Wodonga, supporting VicRoads' infrastructure projects in conjunction with the City of Wodonga.

The sale of surplus land contributes revenue to support VicTrack's wider portfolio responsibilities and helps to stimulate the property market and improve local communities.

Commercial leases

Total revenue for the commercial leasing portfolio was $25.4 million for 2016-17. This was down 2.3 per cent from the previous year, largely due to a number of significant leases being terminated as a result of major transport projects.

Sites that previously returned rental revenue of $3.3 million per annum were required for state government infrastructure projects. Our largest lease, with Pacific National, was terminated to allow for the land at Melbourne Yard 83 to be used for the E-Gate development.

In spite of this, the portfolio grew by almost 16 per cent over the year thanks to new business and favourable rent reviews, the most significant one being at South Dynon where we achieved a one-off rent review of $4.3 million.

Future opportunities to invest in the portfolio and increase revenue have been identified, including the regeneration of dilapidated tenancies. The long-term outlook sees the portfolio exceeding $30 million over the corporate planning period.

Billboards and car parks

The ongoing effort to grow VicTrack's billboard portfolio delivered four new billboards at prominent sites across Melbourne in partnership with QMS Rail Media during 2016-17.

As a result of the second stage of the new development construction pipeline, the portfolio grew by 8.25 per cent.

The installations included large format digital billboards at Kingsway, Nepean Highway, Western Ring Road Fawkner and Eastern Freeway Clifton Hill.

Planning permits were lodged for two additional digital sites, at Williams Landing and Richmond. The Williams Landing planning permit was received and is currently in technical review. The planning permit for Richmond is in progress.

The car park portfolio also grew by 14.8 per cent under VicTrack's service provider Care Park, with the releasing of sites at Bendigo and Richmond. A planning permit is in progress for a new pay and display car park site in Frankston.


The Power of Dreams
ALL-NEW
CIVIC
HATCH
QMS
RIGHT LANE
500 m AHEAD
NO LINES
60
DRIVE SAFELY

Reinvesting in communities

A major objective of our role as the state's transport asset agency is to ensure that all funds generated through our commercial activities are reinvested directly back to transport and Victorian communities. Throughout 2016-17 we continued to drive investment back into commercially focussed community programs, and support other non-commercial activities like environmental management, heritage preservation and community projects.

Bridge Naming Competition

The pilot scheme to name 40 Victorian bridges at high risk of natural disaster continued during 2016-17, with five more bridges across Moorabool Shire to be named under the program.

The bridges are at McCormacks Road, Paces Lane and Browns Lane near Bacchus Marsh; Dunnstown Road near Navigators; and Portland Flat Road near Ballan.

VicTrack worked closely with Moorabool Shire Council and local emergency services to identify key community contacts to publicise the Bridge Naming Competition.

Community support programs

As owners of significant state assets, VicTrack continued to support communities through direct funding and partnerships as we fulfil our role in helping Victoria thrive.

Community leases

VicTrack manages a number buildings and open spaces along the train corridor. Many of these assets are utilised by local councils and community groups or transformed into usable open spaces such as local playgrounds and gardens.

The program manages all leasing agreements for assets utilised for community purposes and works with local councils and groups to put in place best practice lease agreements that protect VicTrack assets and the public.

During the past year, the Community Lease Program managed 424 leases across Victoria.

One of the projects undertaken in 2016-17 was the upgrade of Daylesford Station. VicTrack contributed

$95,000 towards restoring the station to its former glory, in partnership with the Daylesford Tourist and Heritage Group.

The program continues to make land parcels available at nominal fees for community use purposes and has a number of requests awaiting land clearance.

Stationeers Keep Victoria Beautiful

Keep Victoria Beautiful (KVB) runs the community-based stationeers' program that supports community beautification works and garden projects at Victorian railway stations.

The program supports the transformation of stations through support of registered volunteer groups.

Funding for the program comes from a partnership between transport bodies, PTV, VicTrack, MTM and V/Line.

Key achievements over the financial year included the negotiation of a new agreement between KVB and program partners, including maintaining funding levels for the program.

In 2016, VicTrack also announced that 12 stationeer groups had received funding under our $12,000 Small Grants Program to help with the purchase of safety vests, plants, mulches, gardening equipment and signs.

Environmental program

Environmental management plays a major role in VicTrack's operations, as one of our major non-commercial activities, and as the asset owner of one of Victoria's largest titled land holdings.

Landcare Partnership

VicTrack continued its work with Landcare Australia over the last year to conserve fragments of some of Victoria's most threatened ecosystems, including plains grasslands. Some of the best preserved examples of these sites are within the more than 5,000 kilometres of railway reserve managed by VicTrack, where they have survived away from ploughs, fertilisers and exotic pasture plants.

VicTrack and Landcare worked together to rehabilitate, protect and enhance the ecological integrity of many of these sites.

With VicTrack funding, Landcare engages its community groups to undertake conservation works on sites with ecological values. In some cases, VicTrack develops management plans that support the conservation of these sites and to preserve indigenous species.

In 2016-17 funding from VicTrack was provided to support three projects:

Bellarine Tourist Rail

A program of revegetation, weed control, seeding, interpretation, education and maintenance within the Bellarine Tourist Rail and Rail Trail. The Tourist Rail and Trail provides a continuous link of indigenous vegetation between Geelong and Queenscliff and contains significant remnant vegetation and supports diverse wildlife.

Habitat for the Southern Brown Bandicoot Eastern
A restoration project that aims to manage and restore a six kilometre link of indigenous vegetation within south-east Victoria, near Clyde, that is an important habitat for the threatened Southern Brown Bandicoot Eastern population.

The site is a significant link of remnant vegetation due to its proximity to the Westernport Ramsar wetland and the former Westernport Swamp, and contains a number of threatened vegetation communities and threatened species listed under the *Flora and Fauna Guarantee Act (1988)* and the *Environment Protection and Biodiversity Conservation Act (1999).*

The Green Line (Basalt to Bay)
A program of rehabilitation, weeding, seed collection and education to improve connectivity and create a continuous biodiversity corridor between Koroit and Minhamite. The corridor encompasses four listed endangered ecological vegetation classes as well as numerous rare and endangered species.

Contamination removal and land remediation

Asbestos Program

Survey and removal programs
Asbestos risk is managed in accordance with current OHS regulations.

VicTrack maintains an asbestos register and uses a risk matrix to assess the potential risk of harm to occupants from asbestos found in its buildings and on its land. Asbestos is removed immediately from sites identified as high risk. Where sites are deemed to be moderate risk, the asbestos is programmed for removal within six months and low-risk asbestos issues continue to be monitored and noted in the register.

In 2016-17, asbestos surveys were completed on 35 buildings at over 14 locations as part of VicTrack's five-year rolling asbestos survey program to manage asbestos risk.

Asbestos removal works were also undertaken at a number of key sites across Victoria, including Newport Workshops, Ascot Vale, South Dynon and Albion. Works predominantly involved the removal of asbestos materials within buildings and in soils to make the areas safe and reduce ongoing asbestos management requirements into the future.

Asbestos data management
VicTrack developed a web-based mobile application to capture and monitor asbestos and hazardous materials information in assets. The application enables efficiencies and consistencies in data collation during surveying of assets through to transfer of information to VicTrack's asset management system, Conquest.

Implementation of site specific management measures
In 2016-17, site specific asbestos management plans (AMP) were implemented at the Newport Workshops, Spotswood, Bendigo North, Albion and Queenscliff sites. Implementation of the site-specific AMP predominantly involved annual asbestos inspections, update of site specific registers and AMP.

Contaminated land program

VicTrack completed contaminated land assessments at more than 65 sites to identify potential environmental or health risks resulting from historical land use or poor environmental management practices. Sites where contamination is identified are investigated further, monitored and remediated where necessary in accordance with VicTrack's Contaminated Land Management Plan.

South Dynon Remediation

Groundwater remediation works at the South Dynon Rail Yards continued to safely remove the diesel light non-aqueous phase plume of contamination beneath the site. Approximately 6,750L of the diesel light non-aqueous phase liquid was removed from the groundwater through active total fluid remediation this year. The remediation works have removed over 26,800L of light non-aqueous phase liquid from groundwater since the commencement of the remediation trial and subsequent remediation works in 2014. The light non-aqueous phase liquid recovered from the groundwater has been separated, collected and sent to an offsite recycling facility.

Groundwater Monitoring Program

VicTrack continued implementing its annual Groundwater Monitoring Program, which assesses the nature, extent and stability of groundwater contamination at numerous sites across Victoria. These sites have groundwater contamination as a result of poor historical uses. Many of these sites require ongoing groundwater monitoring to ensure risks from contamination are managed. VicTrack worked with expert hydrogeologists to identify where sites no longer require regular groundwater monitoring, or where active management of the contamination may be required, based on the potential for risks to site users.

The number of sites managed via the program has decreased from 13 sites in 2014-15 to seven sites in 2016-17, resulting in significant cost savings over the program.

Compliance Notices

During the year, VicTrack continued to manage the requirements under EPA Compliance Notices at Horsham, Elmore and Spotswood.

At Horsham, we completed environmental assessment works to determine impacts from legacy contamination associated with former tenants. The assessment report was sent to the appointed Environmental Auditor for review, and a remediation action plan was started. Liaison with former tenants continued, to determine responsibility of contamination and potential input into a Clean Up Plan.

At Elmore, environmental clean-up works were completed in accordance with the Environmental Auditor–approved Remediation Action Plan, which included the excavation and disposal of 470m3 of lead contaminated soils. The land has been reinstated and the remediation report sent for review by the Environmental Auditor.

Annual monitoring of groundwater and the platform encapsulation structure containing contaminated soil continued at Spotswood, in accordance with the Environmental Auditor–approved plan for managing legacy contamination.

Natural Resource Management

Biodiversity management

VicTrack continued to invest time and money into understanding biodiversity on VicTrack land. VicTrack completed biodiversity assessments at four locations across the state to understand significant flora and fauna values on VicTrack land and put in place measures for ongoing management.

Biodiversity mapping project

VicTrack completed a biodiversity mapping tool project which aimed to map known and modelled biodiversity values on VicTrack land, and depict these areas on VicTrack's in-house mapping system.

The new tool will assist VicTrack with identifying biodiversity and managing risks to significant biodiversity values on sites where works are planned.

The tool will soon be available through RailMap.

South Morang Biodiversity protection area

Commonwealth protected vegetation (listed under the *EPBC Act*), including the Matted Flax-lily and Grassy Eucalypt Woodland, was managed by VicTrack, on behalf of PTV under a Memorandum of Understanding and long term management plan.

Targeted weed control, fence repairs, biomass control, rabbit control, vegetation monitoring and annual reporting was completed in 2016-17, and will continue for another two years

VicTrack is working closely with environmental and land management consultants, as well as the Mernda Rail Extension Project, Parks Victoria and the Department of Environment, Land, Water and Planning to ensure the protection and management of the significant vegetation.

< VicTrack Environment staff conduct a biodiversity assessment

Performance reporting: financial

Declaration by Chair, Accountable Officer and Deputy Chief Executive 30 June 2017

The attached financial statements for Victorian Rail Track (VicTrack) (as an individual entity and the Consolidated Entity comprising VicTrack and its Controlled Entities) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2017 and the financial position as at 30 June 2017 of VicTrack and the Consolidated Entity.

As at the time of signing we are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 15 September 2017.

John Lenders
Chair
Dated: 15 September 2017

Campbell A. Rose AM
Chief Executive
Dated: 15 September 2017

Garry Button
Deputy Chief Executive
Dated: 15 September 2017

Independent Auditor's Report

To the Board Members of Victorian Rail Track

Opinion	I have audited the consolidated financial report of Victorian Rail Track (the entity) and its controlled entities (together the consolidated entity), which comprises the: • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • declaration by the chair, accountable officer and deputy chief executive. In my opinion, the financial report presents fairly, in all material respects, the financial positions of the entity and the consolidated entity as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. My responsibilities under that Act and those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the entity and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board's responsibilities for the financial report	The Board of the entity and the consolidated entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the entity and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

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Auditor’s responsibilities for the audit of the financial report

As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity and the consolidated entity’s internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity and the consolidated entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the entity and the consolidated entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity and consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the entity and the consolidated entity. I remain solely responsible for my audit opinion.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
15 September 2017

Anna Higgs
as delegate for the Auditor-General of Victoria

Five year financial summary

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Income from government	116,748	124,065	154,590	146,119	78,503
Total income from transactions	2,230,156	2,049,975	1,934,436	1,845,340	1,740,985
Total expenses from transactions	2,889,933	2,681,701	2,445,711	2,322,996	2,112,111
Net result from transactions	(659,777)	(631,726)	(511,275)	(477,656)	(371,126)
Net result for the period	(510,258)	(474,447)	(351,992)	(309,937)	(256,684)
Net cash flow from operating activities	114,386	110,268	125,604	129,135	345,856
Total assets	32,322,521	30,106,082	28,612,027	25,738,691	24,183,412
Total liabilities	3,031,902	3,325,318	3,622,856	3,621,414	3,832,651

Comprehensive operating statement for the year ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Continuing operations					
Income from transactions:					
Telecommunication services		53,756	53,282	53,756	53,282
Property related income		32,324	30,595	32,324	30,595
Services received free of charge		30,203	23,755	30,203	23,755
Govt. contributions towards capital and related work		116,748	124,065	1,436	423
Other income	2.5	91,876	84,175	61,854	53,861
Capital asset charge		1,905,249	1,734,103	1,905,249	1,734,103
Total income from transactions		**2,230,156**	**2,049,975**	**2,084,822**	**1,896,019**
Expenses from transactions:					
Employee benefits	3.2	42,594	40,869	42,594	40,869
Depreciation and amortisation	4.1.1	770,785	739,074	623,189	596,192
Finance costs		53,523	61,987	57	50
Capital asset charge		1,905,249	1,734,103	1,905,249	1,734,103
Supplies of services	3.3	63,574	58,866	63,574	58,866
Other expenses from ordinary activities	3.4	54,208	46,802	54,104	46,663
Total expenses from transactions		**2,889,933**	**2,681,701**	**2,688,767**	**2,476,743**
Net result from transactions (net operating balance)		**(659,777)**	**(631,726)**	**(603,945)**	**(580,724)**
Other economic flows included in net result:					
Net gain/(loss) on non-financial assets	8.4	(59,496)	(46,409)	(37,139)	(46,409)
Other gains/(losses) from other economic flows	8.4	215	654	215	654
Total other economic flows included in net result		**(59,281)**	**(45,755)**	**(36,924)**	**(45,755)**
Net result from continuing operations before tax		**(719,058)**	**(677,481)**	**(640,869)**	**(626,479)**
Tax equivalent expense	3.5.1	208,800	203,034	192,050	187,733
Net result		**(510,258)**	**(474,447)**	**(448,819)**	**(438,746)**
Other economic flows - other comprehensive income					
Items that will not be reclassified to net results					
Changes in physical asset revaluation surplus		(26,666)	(15,871)	(21,245)	(15,871)
Income tax on physical asset revaluation surplus	3.5.1	7,267	3,372	5,641	3,372
Total other economic flows - other comprehensive income		**(19,399)**	**(12,499)**	**(15,604)**	**(12,499)**
Comprehensive result		**(529,657)**	**(486,946)**	**(464,423)**	**(451,245)**

The comprehensive operating statement should be read in conjunction with the accompanying notes to the financial statements.

Balance sheet as at 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Assets					
Financial assets					
Cash and deposits	5.5	52,216	31,877	51,074	30,616
Other financial assets		100	100	-	-
Trade and other receivables	6.1	31,173	33,241	159,471	161,601
Total financial assets		**83,489**	**65,218**	**210,545**	**192,217**
Non-financial assets					
Prepayments		2,444	3,302	2,444	3,302
Property, infrastructure, plant and equipment	4.1	32,193,242	29,971,821	28,627,343	26,614,228
Non-financial assets classified as held for sale	8.5	2,287	2,324	2,287	2,324
Intangible assets	4.2	41,059	63,417	-	-
Total non-financial assets		**32,239,032**	**30,040,864**	**28,632,074**	**26,619,854**
Total assets		**32,322,521**	**30,106,082**	**28,842,619**	**26,812,071**
Liabilities					
Trade and other payables	6.2	50,734	37,377	49,850	36,409
Employee related provisions	3.2.1	12,518	11,427	12,518	11,427
Other provisions	6.3	10,003	10,003	10,003	10,003
Borrowings	5.1	569,782	661,579	1,862	1,921
Deferred tax liability	3.5.2	2,388,865	2,604,932	2,369,374	2,567,064
Total liabilities		**3,031,902**	**3,325,318**	**2,443,607**	**2,626,824**
Net assets		**29,290,619**	**26,780,764**	**26,399,012**	**24,185,247**
Equity					
Contributed capital	5.4	20,277,659	17,238,147	17,647,527	14,969,339
Physical asset revaluation surplus		10,743,674	10,763,073	10,389,940	10,405,544
Retained profits/(accumulated losses)		(1,730,714)	(1,220,456)	(1,638,455)	(1,189,636)
Net worth		**29,290,619**	**26,780,764**	**26,399,012**	**24,185,247**
Commitments for expenditure	5.6				
Contingent assets and contingent liabilities	7.2				

The balance sheet should be read in conjunction with the accompanying notes to the financial statements.

Statement of changes in equity for the year ended 30 June 2017

	Note	Contributed capital $'000	Physical asset revaluation surplus $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
Consolidated					
2017					
Balance as 1 July 2016		**17,238,147**	**10,763,073**	**(1,220,456)**	**26,780,764**
Net result for the year		-	-	(510,258)	(510,258)
Other adjustments		-	-	-	-
Other comprehensive income/(expense) for the year		-	(19,399)	-	(19,399)
Total comprehensive result for the year		**-**	**(19,399)**	**(510,258)**	**(529,657)**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year		3,039,512	-	-	3,039,512
Capital returned during the year		-	-	-	-
Balance at 30 June 2017		**20,277,659**	**10,743,674**	**(1,730,714)**	**29,290,619**
2016					
Balance as 1 July 2015		**14,959,608**	**10,775,572**	**(746,009)**	**24,989,171**
Net result for the year		-	-	(474,447)	(474,447)
Other comprehensive income/(expense) for the year		-	(12,499)	-	(12,499)
Total comprehensive result for the year		**-**	**(12,499)**	**(474,447)**	**(486,946)**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year		2,279,023	-	-	2,279,023
Capital returned during the year		(484)	-	-	(484)
Balance at 30 June 2016		**17,238,147**	**10,763,073**	**(1,220,456)**	**26,780,764**

The statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

	Note	Contributed capital	Physical asset revaluation surplus	Retained profits/ (accumulated losses)	Total equity
		$'000	$'000	$'000	$'000
Parent					
2017					
Balance as 1 July 2016		**14,969,339**	**10,405,544**	**(1,189,636)**	**24,185,247**
Net result for the year		-	-	(448,819)	(448,819)
Other comprehensive income/(expense) for the year		-	(15,604)	-	(15,604)
Total comprehensive result for the year		**-**	**(15,604)**	**(448,819)**	**(464,423)**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year		2,678,188	-	-	2,678,188
Capital returned during the year		-	-	-	-
Balance at 30 June 2017		**17,647,527**	**10,389,940**	**(1,638,455)**	**26,399,012**
2016					
Balance as 1 July 2015		**12,999,130**	**10,418,043**	**(750,890)**	**22,666,283**
Net result for the year		-	-	(438,746)	(438,746)
Other comprehensive income/(expense) for the year		-	(12,499)	-	(12,499)
Total comprehensive result for the year		**-**	**(12,499)**	**(438,746)**	**(451,245)**
Transactions with owners in their capacity as owners:					
Contributions by owners during the year		1,970,693	-	-	1,970,693
Capital returned during the year		(484)	-	-	(484)
Balance at 30 June 2016		**14,969,339**	**10,405,544**	**(1,189,636)**	**24,185,247**

Cash flow statement for the year ended 30 June 2017

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cashflows from operating activities					
Receipts		346,326	306,794	162,962	123,174
Interest received		722	773	707	755
Receipts from the Victorian Government for:					
- capital assets charge (*)		1,905,249	1,734,103	1,905,249	1,734,103
- capital and related works (inclusive of GST) and termination payments		1,529	454	1,529	454
Total receipts		**2,253,826**	**2,042,124**	**2,070,447**	**1,858,486**
Payments					
Suppliers (inclusive of GST) and employees		(171,605)	(127,573)	(136,051)	(100,660)
Borrowing costs paid		(53,538)	(61,987)	(57)	(50)
Capital assets charge (*)		(1,905,249)	(1,734,103)	(1,905,249)	(1,734,103)
Goods and services tax paid to the ATO		(9,048)	(8,193)	(5,596)	(4,759)
Total payments		**(2,139,440)**	**(1,931,856)**	**(2,046,953)**	**(1,839,572)**
Net cash flows from/(used in) operating activities	**5.5**	**114,386**	**110,268**	**23,494**	**18,914**
Cash flows from investing activities					
Proceeds from/(payments for):					
Payment for assets acquired using government capital contributions		(3,039,512)	(2,279,023)	(2,678,188)	(1,970,693)
Acquisition of property, plant & equipment		(22,062)	(12,508)	(22,062)	(12,508)
Sale of property, plant & equipment		19,026	(5,675)	19,026	(5,675)
Net cash from/(used in) investing activities		**(3,042,548)**	**(2,297,206)**	**(2,681,224)**	**(1,988,876)**
Cash flows from financing activities					
Proceeds/(payments for):					
Government capital contributions		3,039,512	2,279,023	2,678,188	1,970,693
Borrowings		(91,011)	(90,885)	-	-
Net cash flows from/(used in) financing activities		**2,948,501**	**2,188,138**	**2,678,188**	**1,970,693**
Net increase/(decrease) in cash held and cash equivalent		**20,339**	**1,200**	**20,458**	**731**
Cash and cash equivalent at the beginning of the financial year		**31,877**	**30,677**	**30,616**	**29,885**
Cash and cash equivalent at the end of the financial year		**52,216**	**31,877**	**51,074**	**30,616**

The cash flow statement should be read in conjunction with the accompanying notes to the financial statements.
(*) The receipt and payment of the capital assets charge does not represent physical movements of cash between the Consolidated Entity and the Victorian Government. In accordance with the provisions of the *Financial Management Act 1994*, the capital assets charge is considered a cash equivalent item and is therefore included in the Cash flow statement.

1. About this report

This report represents the audited general purpose financial statements for VicTrack and its controlled entities (Consolidated Entity) for the year ended 30 June 2017. The Consolidated Entity is a public statutory body established under section 8 of the *Rail Management Act 1996* and continued in existence under section 116 of the *Transport Integration Act 2010*. The purpose of the report is to provide users with information about the Consolidated Entity's stewardship of resources entrusted to it. The nature of the operations and principal activities of the Consolidated Entity are described in the Report of operations, which does not form part of these financial statements.

The principal address is: Level 8, 1010 La Trobe Street, Docklands, Victoria 3008.

Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of AASB1004: Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Consolidated Entity.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Basis of consolidation

In accordance with AASB10: Consolidated Financial Statements the consolidated financial statements of the Consolidated Entity incorporates assets and liabilities of all reporting entities controlled by the Consolidated Entity as at 30 June 2017, and their income and expenses for that part of the reporting period in which control existed.

Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements. In the process of preparing consolidated financial statements for the Consolidated Entity, all material transactions and balances between consolidated entities are eliminated. Entities consolidated into the Parent Entity are listed in Note 8.3 Related Parties.

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business operations and the realisation of assets and settlement of liabilities in accordance with the normal course of business. The ability of the Consolidated Entity to continue paying its debts as and when they fall due is dependent on existing contractual arrangements for the provision of services to customers, acquisition of new rolling stock and payments to financiers with respect to rolling stock previously acquired under lease or finance, continuing to operate as originally intended. In respect of rolling stock previously acquired under lease or finance, the arrangements whereby PTV makes all payments to the lessors or financiers on behalf of the Consolidated Entity is confirmed by the Letter of Support provided by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) dated 25 July 2017 covering the period until September 2018.

On the basis of the above factors, the Directors are of the opinion that the Consolidated Entity is a going concern and can pay its debts as and when they fall due.

Rounding

All amounts shown in the financial statements are expressed by reference to the nearest thousand dollars unless otherwise specified.

Compliance Information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994*, Australian Accounting Standards (AAS) and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB).

The entity is a not-for-profit entity for reporting purposes under Australian Accounting Standards and FRD108B Classification of entities as for profit. Where appropriate, those AAS's paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2.
Funding delivery of our services

Introduction

The Consolidated Entity owns much of Victoria's public transport land, assets and infrastructure and works to protect and grow the value of the portfolio, to support a thriving transport system and make travel and living better for Victorians.

To enable the Consolidated Entity to fulfil its objectives and provide outputs, it receives income from telecommunications services, management of land set aside for transport purposes, including development and sale of land no longer required for transport and project management and civil engineering services for rail infrastructure projects.

Summary of income from transactions

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Continuing operations					
Income from transactions:					
Telecommunications services	2.1	53,756	53,282	53,756	53,282
Property related income	2.2	32,324	30,595	32,324	30,595
Services received free of charge	2.3	30,203	23,755	30,203	23,755
Government contributions towards capital and related work	2.4	116,748	124,065	1,436	423
Other income	2.5	91,876	84,175	61,854	53,861
Capital asset charge	2.6	1,905,249	1,734,103	1,905,249	1,734,103
Total income from transactions		**2,230,156**	**2,049,975**	**2,084,822**	**1,896,019**

Income is measured at the fair value of the consideration received or receivable. Income is disclosed, where applicable, net of returns, allowances, duties and taxes.

The Consolidated Entity recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Consolidated Entity's activities as described below. The Consolidated Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.1 Telecommunications services

Income from telecommunications services, property services, advertising, infrastructure management and lease of the interstate rail corridors is recognised when services are provided by the Consolidated Entity.

2.2 Property related income

Leasehold improvements/renewals undertaken by lessees/sub-lessees and assets provided by other parties are recognised as works are performed on the assets/improvements based on confirmations received from the other parties.

2.3 Services received free of charge

This relates to resources free of charge received by Public Transport Victoria (PTV) for the operational use of myki assets. These are recognised at fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use.

2.4 Government contributions towards capital and related work

Government contributions towards capital and related costs are recognised when the Consolidated Entity gains control of the underlying assets.

2.5 Other income

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interest received		722	774	707	755
Rolling stock lease income		29,225	29,225	-	-
Infrastructure management revenue		49,932	43,239	49,932	43,239
Other		11,998	10,938	11,215	9,866
Total other income		**91,876**	**84,175**	**61,854**	**53,861**

2.5.1 Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

2.5.2 Operating leases

Lease income from operating leases where the Consolidated Entity is the lessor is recognised on a straight- line basis over the term of the relevant lease. The respective leased assets are included in the balance sheet based on their nature.

The lessee does not have an option to purchase the property at the expiry of the lease period.

	2017 $'000	2016 $'000
Non-cancellable operating receivables		
Not longer than one year	29,225	29,225
Longer than one year but not longer than five years	94,981	116,899
Longer than five years	-	-
Total	**124,206**	**146,124**

2.6 Capital assets charge

The capital assets charge is the estimate of the cost of capital investment in government assets i.e. the return that could be achieved were the government to direct its capital towards the next best investment of comparable risk. It is imposed on the Consolidated Entity by the Victorian Government's DTF.

The purpose of this notional charge is to increase the awareness of the costs of assets for management to make improved resource allocation and investment decisions.

The capital assets charge is shown as both a revenue and an expense from ordinary activities in the comprehensive operating statement, meaning that there is no impact on the operating result for the year, nor on the balance sheet as at 30 June 2017.

Although the receipt and payment of the capital assets charge does not represent physical movements of cash, the capital assets charge has been disclosed in the cash flow statement as it is considered a cash equivalent item under the provisions of the *Financial Management Act 1994*.

3.

The cost of delivering services

Introduction

This section provides an account of the expenses incurred by the Consolidated Entity in delivering its services. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

3.1 Expenses incurred in delivery of services

			Consolidated		Parent
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Employee benefits	3.2	42,594	40,869	42,594	40,869
Supplies of services	3.3	63,574	58,866	63,574	58,866
Other expenses from ordinary activities	3.4	54,208	46,802	54,104	46,663
Capital asset charge	2.6	1,905,249	1,734,103	1,905,249	1,734,103
Total expenses incurred in delivery of services		**2,065,625**	**1,880,640**	**2,065,521**	**1,880,501**

3.2 Employee benefits in the comprehensive operating statement

Employee benefits				
		Consolidated		Parent
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Salaries and wages, annual leave and long service leave	32,937	32,729	32,937	32,729
Associated labour on-costs	2,854	2,628	2,854	2,628
Increase in provision for employee entitlements	2,366	1,305	2,366	1,305
Post-employment benefits				
Superannuation contributions	4,238	3,782	4,238	3,782
Termination payments	199	425	199	425
Total employee benefits	**42,594**	**40,869**	**42,594**	**40,869**

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The Consolidated Entity does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees.

Instead DTF discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the state as the sponsoring employer).

3.2.1 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current provisions				
Employee benefits				
Annual leave				
Unconditional and expected to settle within 12 months	2,972	2,910	2,972	2,910
Unconditional and expected to settle after 12 months	85	100	85	100
Long service leave				
Unconditional and expected to settle within 12 months	1,003	445	1,003	445
Unconditional and expected to settle after 12 months	4,998	4,522	4,998	4,522
Other employee benefits				
Unconditional and expected to settle within 12 months	866	812	866	812
	9,924	**8,789**	**9,924**	**8,789**
Provision for on-costs				
Unconditional and expected to settle within 12 months	627	639	627	639
Unconditional and expected to settle after 12 months	773	701	773	701
	1,400	**1,340**	**1,400**	**1,340**
Total current provisions	**11,324**	**10,129**	**11,324**	**10,129**

Non-Current provisions				
Employee benefits	1,036	1,127	1,036	1,127
On-costs	157	171	157	171
Total non-current provisions	**1,193**	**1,298**	**1,193**	**1,298**
Total employee benefits provisions	**12,518**	**11,427**	**12,518**	**11,427**

Employee benefits - wages, salaries and annual leave

Provision is made for benefits accruing to employees in respect for wages and salaries, annual leave and long service for services provided during the reporting period.

Liabilities for wages and salaries and annual leave are all recognised in the provision for employee benefits as current liabilities, because the Consolidated Entity does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- nominal value - if the Consolidated Entity expects to wholly settle within 12 months
- present value - if the Consolidated Entity does not expect to wholly settle within 12 months.

Employee benefits - long service leave

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Consolidated Entity does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value - if the Consolidated Entity expects to wholly settle within 12 months
- present value - if the Consolidated Entity does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised in the 'net result from transactions', except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as another economic flow.

On-costs on employee benefits

On-costs on employee benefits, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

3.2.2 Superannuation

Employees of the Consolidated Entity are entitled to receive superannuation benefits and the Consolidated Entity contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

As noted above, the defined benefit liability is recognised in DTF as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Consolidated Entity.

Details of major employee superannuation funds to which the Consolidated Entity contributes are as follows:

Superannuation fund (a)	30 June 2017 Contributions $'000	Contributions outstanding as at 30 June 2017 $'000	30 June 2016 Contributions $'000	Contributions outstanding as at 30 June 2016 $'000
Defined benefit plans (b)				
Transport Superannuation Scheme	342	47	343	45
State Superannuation Scheme	288	39	290	36
Defined contribution plans				
VicSuper	1,519	213	1,366	182
Other	2,089	390	1,783	332
	4,238	**689**	**3,782**	**595**

(a) These superannuation contributions relate to VicTrack as the Parent Entity. Rolling Stock Holdings (Victoria) Pty Limited and its subsidiary companies, which form the Consolidated Entity with the Parent Entity, does not employ any staff.

(b) The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

3.3 Supplies and services

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred.

	Consolidated 2017 $'000	2016 $'000	Parent 2017 $'000	2016 $'000
Property services (including land tax)	9,261	9,033	9,261	9,033
Telecommunications expenses	10,615	12,533	10,615	12,533
Contract and other payments	43,699	37,300	43,699	37,300
Total supplies and services	**63,574**	**58,866**	**63,574**	**58,866**

3.4 Other expenses from ordinary activities

Other operating expenses generally represent the day to day running costs incurred in normal operations and also includes customer construction expense.

	Consolidated 2017 $'000	2016 $'000	Parent 2017 $'000	2016 $'000
Bad debts	164	132	164	132
Insurance premiums	532	439	532	439
Legal fees	261	286	261	286
Occupancy costs	1,861	1,961	1,861	1,961
Customer construction expense	43,834	36,853	43,834	36,853
Other expenses	7,556	7,131	7,452	6,992
Total other operating expenses	**54,208**	**46,802**	**54,104**	**46,663**

3.5 National Tax Equivalent Regime

By direction of the Treasurer of Victoria under the *State Owned Enterprises Act 1992*, the Consolidated Entity is subject to the NTER in 2016-17, but limited to the income tax component of the NTER.

3.5.1 Tax equivalent expense

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Income Tax				
Current income tax (expense)/benefit	111,789	113,848	93,596	94,272
Adjustment in respect of current income tax of previous years	19,282	1,805	-	-
Deferred income tax	77,729	87,381	98,454	93,461
Total income tax (expense)/benefit	**208,800**	**203,034**	**192,050**	**187,733**
Income tax reconciliation				
Accounting profit/(loss) before tax	(719,058)	(677,481)	(640,869)	(626,479)
Income tax (expense)/benefit at company tax rate of 30%	215,717	203,245	192,261	187,944
Non-allowable items	(6,918)	(211)	(211)	(211)
	208,800	**203,034**	**192,050**	**187,733**
Deferred income tax revenue/(expense) included in income tax expense				
(Increase)/decrease in deferred tax liabilities	60,626	107,395	98,137	93,506
Increase/(decrease) in deferred tax assets	17,103	(20,014)	317	(45)
	77,729	**87,381**	**98,454**	**93,461**
Amounts charged directly to equity				
Retained profits				
Adjustment to prior year tax loss	19,282	1,805	-	-
Revaluation reserves				
Revaluation of plant and equipment	(7,267)	(3,372)	(5,641)	(3,372)

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax
Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3.5.2 Deferred tax balances in the balance sheet

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Significant judgement
Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

The carrying amount of deferred tax assets are reassessed at the end of each reporting period. They are reduced to the extent that it is no longer probable that sufficient taxable profit will be available and unrecognised deferred tax assets are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax assets				
The balance comprises temporary differences attributable to:				
Fair value of loan	332	554	-	-
Finance lease liability	119,434	137,596	559	577
Accrued leave	3,755	3,428	3,755	3,428
Provision for asset decommissioning	3,001	3,001	3,001	3,001
Doubtful debts	60	53	60	53
Accelerated depreciation	35,153	-	-	-
Losses available for offset	**692,601**	**561,531**	**455,205**	**361,609**
Total deferred tax assets	**854,336**	**706,163**	**462,580**	**368,669**
Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Revaluation of plant and equipment	(2,982,499)	(2,989,766)	(2,819,492)	(2,825,133)
Accelerated depreciation	-	(50,838)	(11,903)	(110,026)
Finance lease assets	(260,675)	(270,460)	(559)	(573)
Fair value of loan	(27)	(31)	-	-
Total deferred tax liabilities	**(3,243,202)**	**(3,311,095)**	**(2,831,954)**	**(2,935,732)**
Net deferred tax assets/(liabilities)	**(2,388,865)**	**(2,604,932)**	**(2,369,374)**	**(2,567,064)**
Movement in deferred tax assets/(liabilities)				
Opening balance	(2,604,932)	(2,811,337)	(2,567,064)	(2,758,170)
Charged to income tax expense	77,729	87,381	98,454	93,461
Charged to equity	7,267	3,372	5,641	3,372
Movement in tax losses	131,071	115,652	93,596	94,272
Closing balance	**(2,388,865)**	**(2,604,932)**	**(2,369,374)**	**(2,567,064)**

4.

Key assets available to support service delivery

The Consolidated Entity controls transport and communications assets that are utilised in fulfilling its objectives and conducting its activities. They represent the resources the Consolidated Entity utilises for delivery of its services.

4.1 Property, infrastructure, plant and equipment

Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classifications. All assets in a purpose group are further sub categorised according to the asset's 'nature' (i.e. buildings, plant etc.) with each sub category being classified as a separate class of asset for financial reporting purposes. All of the Consolidated Entity's assets belong to the one purpose group for the purpose of FRD103F: Non-financial physical assets.

Purpose group – transportation and communications

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Land				
Rail corridor land - at fair value	2,547,616	2,550,887	2,547,616	2,550,887
Rail corridor land - at cost	2,567	2,568	2,567	2,568
Non-rail corridor land - at fair value	1,825,661	1,825,691	1,825,661	1,825,691
Total land	**4,375,845**	**4,379,146**	**4,375,845**	**4,379,146**
Buildings and structures				
Net fair value	7,248,941	7,254,193	7,248,941	7,254,193
Accumulated depreciation	(289,781)	(137,919)	(289,781)	(137,919)
Carrying amount	**6,959,160**	**7,116,274**	**6,959,160**	**7,116,274**
Cost & allocation statement valuation	488,827	18,870	488,827	18,870
Accumulated depreciation	(4,878)	(85)	(4,878)	(85)
Carrying amount	**483,949**	**18,785**	**483,949**	**18,785**
Total buildings and structures	**7,443,108**	**7,135,059**	**7,443,108**	**7,135,059**
Track				
Net fair value	7,052,242	7,059,165	7,052,242	7,059,165
Accumulated depreciation	(351,139)	(176,048)	(351,139)	(176,048)
Carrying amount	**6,701,103**	**6,883,117**	**6,701,103**	**6,883,117**
Cost & allocation statement valuation	152,110	60,371	152,110	60,371
Accumulated depreciation	(1,976)	-	(1,976)	-
Carrying amount	**150,134**	**60,371**	**150,134**	**60,371**
Total track	**6,851,238**	**6,943,488**	**6,851,238**	**6,943,488**
Signals and communication				
Net fair value	3,101,935	3,104,078	3,101,935	3,104,078
Accumulated depreciation	(384,418)	(192,464)	(384,418)	(192,464)
Carrying amount	**2,717,517**	**2,911,614**	**2,717,517**	**2,911,614**
Cost & allocation statement valuation	205,010	98,685	205,010	98,685
Accumulated depreciation	(5,918)	(651)	(5,918)	(651)
Carrying amount	**199,092**	**98,034**	**199,092**	**98,034**
Total signals and communication	**2,916,609**	**3,009,648**	**2,916,609**	**3,009,648**
Plant and equipment				
Net fair value	3,825,525	3,529,374	1,103,724	1,108,906
Accumulated depreciation	(502,747)	(322,653)	(126,331)	(63,388)
Carrying amount	**3,322,778**	**3,206,721**	**977,393**	**1,045,518**
Finance lease net fair value	936,776	936,667	2,626	2,517
Accumulated depreciation	(66,006)	(33,224)	(773)	(607)
Carrying amount	**870,770**	**903,443**	**1,853**	**1,910**
Cost	59,411	24,614	59,411	24,614
Accumulated depreciation	(3,178)	(845)	(3,178)	(845)
Carrying amount	**56,233**	**23,769**	**56,233**	**23,769**
Total plant and equipment	**4,249,781**	**4,133,933**	**1,035,479**	**1,071,197**
Intangibles software and licences				
Net fair value	265,530	250,998	265,530	250,998
Accumulated depreciation	(124,952)	(99,683)	(124,952)	(99,683)
Total intangibles software and licenses	**140,579**	**151,315**	**140,579**	**151,315**
Capital works in progress				
Building and infrastructure improvements/renewals	5,809,449	3,886,520	5,809,449	3,886,520
Rolling stock under construction	351,596	294,857	-	-
Other	55,036	37,855	55,036	37,855
Total capital works in progress	**6,216,081**	**4,219,232**	**5,864,485**	**3,924,375**
Total property, infrastructure, plant and equipment	**32,193,242**	**29,971,821**	**28,627,343**	**26,614,228**

Reconciliation of carrying amounts at the beginning and end of the year

	Land $'000	Buildings & structures $'000	Track $'000
Consolidated			
2017			
Carrying amount at 1 July 2016	**4,379,146**	**7,135,059**	**6,943,488**
Additions (*)	-	-	-
Disposals	(894)	-	-
Asset held for sale	36	-	-
Impairment of assets	-	-	-
Revaluation movement	(2,443)	(5,004)	(5,743)
Depreciation charge for the year	-	(156,903)	(178,247)
Transferred from WIP	-	469,956	91,740
Carrying value at 30 June 2017	**4,375,845**	**7,443,108**	**6,851,238**
2016			
Carrying amount at 1 July 2015	**4,383,433**	**7,258,600**	**7,059,165**
Additions (*)	2,568	-	-
Disposals	(4,531)	(4,407)	-
Assets held for sale	(2,324)	-	-
Impairment of assets	-	-	-
Depreciation charge for the year	-	(138,004)	(176,048)
Transferred from WIP	-	18,870	60,371
Carrying value at 30 June 2016	**4,379,146**	**7,135,059**	**6,943,488**

	Land $'000	Buildings & structures $'000	Track $'000
Parent			
2017			
Carrying amount at 1 July 2016	**4,379,146**	**7,135,059**	**6,943,488**
Additions (*)	-	-	-
Disposals	(894)	-	-
Asset held for sale	36	-	-
Impairment of assets	-	-	-
Revaluation movement	(2,443)	(5,004)	(5,743)
Depreciation charge for the year	-	(156,903)	(178,247)
Transferred from WIP	-	469,956	91,740
Carrying value at 30 June 2017	**4,375,845**	**7,443,108**	**6,851,238**
2016			
Carrying amount at 1 July 2015	**4,383,433**	**7,258,600**	**7,059,165**
Additions (*)	2,568	-	-
Other adjustments	-	-	-
Disposals	(4,531)	(4,407)	-
Asset held for sale	(2,324)	-	-
Impairment of assets	-	-	-
Depreciation charge for the year	-	(138,004)	(176,048)
Transferred from WIP	-	18,870	60,371
Carrying value at 30 June 2016	**4,379,146**	**7,135,059**	**6,943,488**

Signals & communications $'000	Plant & equipment $'000	Intangible - software & licenses $'000	WIP $'000	Total $'000
3,009,648	**4,133,933**	**151,315**	**4,219,232**	**29,971,821**
-	833	-	3,073,728	3,074,561
-	(387)	-	-	(1,281)
-	-	-	-	36
-	-	-	(54,443)	(54,443)
(3,307)	(10,169)	-	-	(26,666)
(196,558)	(213,810)	(25,268)	-	(770,785)
106,826	339,381	14,532	(1,022,435)	-
2,916,609	**4,249,781**	**140,579**	**6,216,082**	**32,193,242**
3,104,678	**4,054,530**	**175,615**	**2,440,945**	**28,476,966**
-	1,029	-	2,322,337	2,325,934
(600)	(6,502)	-	-	(16,040)
-	-	-	-	(2,324)
-	-	-	(73,641)	(73,641)
(193,116)	(207,606)	(24,300)	-	(739,074)
98,686	292,482	-	(470,409)	-
3,009,648	**4,133,933**	**151,315**	**4,219,232**	**29,971,821**

Signals & communications $'000	Plant & equipment $'000	Intangible - software & licenses $'000	WIP $'000	Total $'000
3,009,648	**1,071,197**	**151,315**	**3,924,375**	**26,614,228**
-	833	-	2,712,404	2,713,237
-	(387)	-	-	(1,281)
-	-	-	-	36
-	-	-	(54,443)	(54,443)
(3,307)	(4,748)	-	-	(21,245)
(196,558)	(66,213)	(25,268)	-	(623,189)
106,826	34,797	14,532	(717,851)	-
2,916,609	**1,035,479**	**140,579**	**5,864,485**	**28,627,343**
3,104,678	**1,116,780**	**175,615**	**2,186,552**	**25,284,823**
-	1,029		2,014,005	2,017,602
-	-	-	-	-
(600)	(6,502)	-	-	(16,040)
-	-	-	-	(2,324)
-	-	-	(73,641)	(73,641)
(193,115)	(64,725)	(24,300)		(596,192)
98,685	24,615	-	(202,541)	-
3,009,648	**1,071,197**	**151,315**	**3,924,375**	**26,614,228**

Initial recognition

All non-financial physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of *FRD103F: Non-Financial Physical Assets* reporting. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Purchased intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent measurement

Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised by asset category above.

The last independent valuation of non-financial physical assets was at 30 June 2015 by the Valuer-General Victoria (VGV).

Intangible produced assets with finite useful lives, are depreciated as an 'expense from transactions' on a straight line basis over their useful lives.

Specialised land

The Consolidated Entity recognises two major classes of land – rail corridor land and non-rail corridor land. Non-rail corridor land is used for commercial purposes whilst rail corridor land is used as a rail reserve.

Rail corridor land is based on the assessed market value of the land and is discounted by 75 per cent in accordance with the VGV's Community Service Obligations. The basis of the valuation of non-rail corridor land is market value, with adjustments being made, where appropriate, for variations in the size and quality of each land parcel.

Estimated cost of environmental contamination remediation is included in the value of the land (where it is expected to enhance the value of the land by providing future economic benefits) and a corresponding liability or provision is recognised when the obligation for remediation arises and can be reliably estimated.

Specialised buildings, infrastructure assets and plant and equipment

Specialised buildings, infrastructure assets and plant and equipment assets are valued using the depreciated replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis.

Assets pledged as security

Security has been granted on assets under construction and subject to financing.

4.1.1 Depreciation and amortisation

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Buildings and structures		156,903	138,004	156,903	138,004
Track		178,247	176,048	178,247	176,048
Signals and communications		196,558	193,116	196,558	193,116
Plant and equipment		213,810	207,606	66,214	64,725
Intangibles software and licenses		25,268	24,300	25,268	24,300
Total depreciation and amortisation		**770,785**	**739,074**	**623,189**	**596,192**

Estimation of useful lives

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's fair value, less any estimated residual value, over its estimated useful life. Intangible non produced assets with finite lives are amortised as another economic flows on a systematic (typically straight line) basis over the asset's useful life.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. The range of depreciation rates used for each class of asset is as follows:

Asset class	Depreciation rates	Useful life
Buildings structures	1.0% to 2.5%	100 to 40 years
Track	1.0% to 2.0%	100 to 50 years
Signals and communications	3.0% to 3.3%	33 to 30 years
Plant and equipment	2.5% to 10%	40 to 10 years
Software and licences	3.0% to 14%	33 to 7 years
Rolling stock	2.5% to 3.3%	40 to 30 years

The above rates are the same as those applied in the previous financial year. Land is considered to have indefinite life and is not depreciated.

4.1.2 Impairment of non-financial physical assets

Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

4.2 Intangible assets

		Consolidated		Parent
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Goodwill				
Opening balance	63,417	63,417	-	-
Impairment	(22,358)	-	-	-
Closing balance	**41,059**	**63,417**	**-**	**-**

The total impairment loss recognised in the statement of comprehensive income during the year amounted to $22.4 million and is separately presented in the statement of comprehensive income. There was no impairment or amortisation of goodwill incurred during the prior year.

Goodwill is allocated to the Consolidated Entity's sole cash-generating unit, which is the leasing business. The recoverable amount of the cash generating unit is determined based on value-in-use calculations.

During the year, the cash generating unit's value in use was determined to be less than the carrying amount and an impairment was recognised. This is based on the assumption that the lease income, to which the goodwill is related, will cease by September 2021.

Value-in-use is calculated based on the present value of cash flow projections to September 2021 when the lease income is expected to cease. The cash flows are discounted using an internally generated rate of 7.44 per cent per annum.

5.
How we financed our operations

This section provides information on the sources of finance and assets contributed by PTV and DEDJTR which are utilised by the Consolidated Entity during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities.

5.1 Borrowings

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Secured loan		171,670	201,003	-	-
Lease liability	5.2	398,112	460,576	1,862	1,921
		569,782	**661,579**	**1,862**	**1,921**
Reconciled by					
Current					
Secured loan		35,601	34,283	-	-
Lease liability		122,520	63,279	1,057	875
		158,121	**97,562**	**1,057**	**875**
Non-current					
Secured loan		136,068	166,720	-	-
Lease liability		275,592	397,297	805	1,047
		411,660	**564,017**	**805**	**1,047**
Total borrowings		**569,782**	**661,579**	**1,862**	**1,921**

'Borrowings' refer to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria (TCV), finance leases and other interest bearing arrangements.

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Subsequently they are recorded at amortised cost. Interest is accrued over the period it becomes due and is recorded as part of trade and other payables at year end.

The premium that arose on the secured loans as a result of being recorded at their fair value is being amortised over the repayment period of the secured loans.

The loans in the Rolling Stock Holdings entities are secured by way of fixed charge over the assets.

Fair value, maturity and risks

The disclosures of the fair values of borrowings, maturity analysis and nature and extent of risks are disclosed in Note 7: Risks contingencies and valuations.

Defaults and breaches

During the current and prior year, there were no defaults and breaches of any borrowings.

5.2 Finance lease

Consolidated Entity as lessee

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Within one year	168,937	111,318	1,057	875
One year or later and not later than five years	325,223	493,370	865	1,132
Later than five years	-	-	-	-
Minimum finance lease payments	**494,160**	**604,688**	**1,922**	**2,007**
Less:				
Recoverable GST	(39,625)	(45,865)	-	-
Future finance lease charges	(56,422)	(98,246)	(60)	(85)
Present value of minimum finance lease payments	**398,112**	**460,577**	**1,862**	**1,922**

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments are apportioned between the reduction of the outstanding lease liability and the periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement.

Finance leases relating to the introduction of new rolling stock have an average lease term of 15 years (2016: 15 years) and an average implicit discount rate of 9.89 per cent (2016: 9.89 per cent).

The lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statement as disclosed in Note 4.1 Property, infrastructure, plant and equipment, and revert to the lessor in the event of default.

5.3 Finance costs

Interest expenses are recognised as expenses in the period in which they are incurred.

Borrowing costs represent interest incurred on loans taken out primarily for the purpose of acquiring new passenger rolling stock. Borrowing costs also includes the amortisation of discounts or premiums relating to these borrowings and interest charges on finance leases.

In accordance with the paragraphs of AASB123: Borrowing Costs applicable to not-for-profit public sector entities, the Consolidated Entity continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

5.4 Equity and movements in equity – Consolidated Entity contributed capital

Consistent with the requirements of AASB1004: Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Consolidated Entity.

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

The Consolidated Entity's contributed capital comprises the value (at the date of transfer) of the majority of the state's rail and tram fixed infrastructure as well as leasehold improvements undertaken by lessees/sub- lessees.

	Capital 1 July 2016 $'000	Capital returned $'000	Additional capital $'000	Capital 30 June 2017 $'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	122,145	-	-	122,145
Works in progress/other assets	13,220,628	-	3,039,512	16,260,140
Total assets	**17,245,107**	**-**	**3,039,512**	**20,284,619**
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**17,238,147**	**-**	**3,039,512**	**20,277,659**

	Capital 1 July 2015 $'000	Capital returned $'000	Additional capital $'000	Capital 30 June 2016 $'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	122,145	-	-	122,145
Works in progress/other assets	10,942,089	(484)	2,279,023	13,220,628
Total assets	**14,966,567**	**(484)**	**2,279,023**	**17,245,107**
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**14,959,608**	**(484)**	**2,279,023**	**17,238,147**

5.4 Equity and movements in equity – Parent Entity contributed capital

	Capital 1 July 2016 $'000	Capital returned $'000	Additional capital $'000	Capital 30 June 2017 $'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	116,114	-	-	116,114
Works in progress/other assets	10,957,849	-	2,678,188	13,636,037
Total assets	**14,976,297**	**-**	**2,678,188**	**17,654,485**
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**14,969,339**	**-**	**2,678,188**	**17,647,527**

	Capital 1 July 2015 $'000	Capital returned $'000	Additional capital $'000	Capital 30 June 2016 $'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	116,114	-	-	116,114
Works in progress/other assets	8,987,640	(484)	1,970,693	10,957,849
Total assets	**13,006,089**	**(484)**	**1,970,693**	**14,976,297**
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	**(6,959)**	**-**	**-**	**(6,959)**
Contributed capital at the end of the year	**12,999,130**	**(484)**	**1,970,693**	**14,969,339**

5.5 Cash flow information and balances

Cash and deposits

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
General fund	4,012	6,730	3,970	5,469
Investments Treasury Corporation of Victoria	48,204	25,147	47,104	25,147
	52,216	**31,877**	**51,074**	**30,616**

General fund account and Investments in TCV are carried at cost. These funds are ear marked for use on future infrastructure improvement projects. Cash in the general fund account is interest bearing equivalent to the 11.00am cash rate less a fixed premium agreed by the Consolidated Entity and the bank 0.41 per cent (2016: 0.82 per cent). Investment with TCV bears interest at 1.77 per cent (2016: 2.25 per cent).

Reconciliation of net result for the reporting period to net cash flow from operating activities

For the purpose of the cash flow statement, cash includes short-term deposits that are readily convertible to cash on hand and which are subject to an insignificant risk of changes in value, net of outstanding cheques yet to be presented. The Consolidated Entity has no non-cash financing and investment activities during the year. The Consolidated Entity does not have any unused credit facilities in place at 30 June 2017 (2016: Nil).

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net result for the period after tax	(510,258)	(474,447)	(448,819)	(438,746)
Adjustments for:				
Depreciation/amortisation	770,785	739,074	623,189	596,192
Fair value adjustments	(726)	(931)	-	-
Impairment of property, plant and equipment	76,801	52,084	54,443	52,084
Net gain on disposal or property, plant and equipment	(17,304)	(5,675)	(17,304)	(5,675)
Changes in assets/liabilities:				
Increase/(decrease) in deferred tax liability	(208,800)	(200,501)	(192,050)	(185,201)
Increase/(decrease) in provisions	1,091	(387)	1,091	(387)
(Increase)/decrease in prepayments	858	(1,476)	858	(1,476)
(Increase)/decrease in receivables	2,068	1,630	2,130	1,117
Increase/(decrease) in other payables	(129)	897	(44)	1,006
Net cash flow provide by/(used in) operating activities	**114,386**	**110,268**	**23,494**	**18,914**

5.6 Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and exclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

The capital expenditure commitments primarily relates to construction of telecommunications and property assets.

Operating lease commitments are for office equipment and premises- these lease provide for a right of renewal at which time all terms are negotiated.

		Consolidated		Parent
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Capital commitments				
Within one year	14,608	2,196	14,608	2,196
One year or later and not later than five years	-	126	-	126
Later than five years	-	-	-	-
Total capital commitments	**14,608**	**2,322**	**14,608**	**2,322**
Operating lease commitments				
Operating leases payable				
Within one year	1,952	1,447	1,952	1,447
One year or later and not later than five years	7	6	7	6
Later than five years	-	-	-	-
Total capital commitments	**1,959**	**1,453**	**1,959**	**1,453**

6.
Other assets and liabilities

This section sets out those assets and liabilities that arose from the Consolidated Entity's operations.

6.1 Trade and other receivables

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000	Parent 2017 $'000	Parent 2016 $'000
Contractual					
Receivables		31,373	33,418	159,671	161,778
Less provision for impairment of receivables		(200)	(177)	(200)	(177)
		31,173	**33,241**	**159,471**	**161,601**
Reconciled by:					
Current					
Receivables		31,299	32,017	159,597	160,377
Less provision for impairment of receivables		(200)	(177)	(200)	(177)
		31,099	**31,840**	**159,397**	**160,200**
Non-current					
Receivables		74	1,401	74	1,401
Less provision for impairment of receivables		-	-	-	-
Total receivables		**31,173**	**33,241**	**159,471**	**161,601**

Contractual receivables are classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

Impairment of receivables

Trade receivables are non-interest bearing and are generally on 30 day terms from the date of invoicing. Where debts become past due, an assessment is made of collectability. When there is objective evidence that an individual trade receivable is impaired, a provision for impairment is recognised. A provision of $200,000 (2016: $177,000) has been recognised by the Consolidated Entity and $200,000 (2016: $177,000) by the Parent Entity in the current year. These amounts have been included in "other operating expenses" in the comprehensive operating statement. No individual amount within the provision for impairment of receivables is material.

Receivables past due but not considered impaired are: Consolidated Entity $4,681,452 (2016: $2,636,504); Parent $4,681,452 (2016: $2,636,504).

Movements in the provision for impairment of receivables were as follows:

	Note	Consolidated 2017 $'000	2016 $'000	Parent 2017 $'000	2016 $'000
At 1 July		177	111	177	111
Increase in provision for impairment recognised during the year		200	155	200	155
Receivables written down during the year		(164)	(132)	(164)	(132)
Amounts reversed during the year		(14)	43	(14)	43
Total		**200**	**177**	**200**	**177**

Risk exposure and maturity analysis

Refer to Note 7.3.3 Financial risk management, for more information on the risk management policy of the Consolidated Entity and the credit quality of the Consolidated Entity's receivables.

6.2 Trade and other payables

	Note	Consolidated 2017 $'000	2016 $'000	Parent 2017 $'000	2016 $'000
Trade and other payables		**50,734**	**37,337**	**49,850**	**36,409**
Reconciled by:					
Current trade and other payables					
Contractual					
Supplies and services		30,756	21,282	29,872	20,314
Amounts payable to government and agencies		7,025	6,353	7,025	6,353
Other contractual payables		1,029	887	1,029	887
		38,810	**28,522**	**37,926**	**27,554**
Statutory					
FBT payable		61	23	61	23
GST payable		2,463	2,048	2,463	2,048
Other statutory payables		6,295	3,499	6,295	3,499
		8,819	**5,570**	**8,819**	**5,570**
Total current trade and other payables		**47,629**	**34,092**	**46,745**	**33,124**
Non current trade and other payables					
Contractual					
Supplies and services		3,105	3,285	3,105	3,285
Amounts payable to government and agencies		-	-	-	-
Other contractual payables		-	-	-	-
Total non-current trade and other payables		**3,105**	**3,285**	**3,105**	**3,285**
Total trade and other payables		**50,734**	**37,377**	**49,850**	**36,409**

Payables consist of:

- Contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid; and
- Statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 45 days. No interest is charged on the 'other payables'.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

Risk exposure and maturity analysis

Refer to Note 7.3.3 Financial risk management, for more information on the risk management policy of the Consolidated Entity and the nature and extent of risks raising from contractual payables.

6.3 Other provisions

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Other provisions					
Make-good provision		10,003	10,003	10,003	10,003
Total non-current provisions		10,003	10,003	10,003	10,003
Total provisions		**10,003**	**10,003**	**10,003**	**10,003**

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

Consolidated Entity land and other assets may be subject to varying degrees of contamination. Estimated costs of environmental assessments and restoration of assets are recognised as liabilities when the obligation is identified and costs can be reliably estimated. Ongoing environmental assessments and restoration costs are progressively charged as expenses from ordinary activities when incurred. Environmental assessments, management and restoration costs for which an obligation will possibly arise in the future or which cannot be reliably measured are disclosed as contingent liabilities.

Movement in provisions

Consolidated Entity and Parent Entity	Make good provision $
Balance at 1 July 2016	**10,003**
Additional provision recognised	-
Reductions arising from payments	-
Movement resulting from re-measurement or settlements without cost	-
Balance at 30 June 2017	**10,003**

Consolidated Entity and Parent Entity	Make good provision $
Balance at 1 July 2015	**10,003**
Additional provision recognised	-
Reductions arising from payments	-
Movement resulting from re-measurement or settlements without cost	-
Balance at 30 June 2016	**10,003**

7. Risks, contingencies and valuations

The Consolidated Entity is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Consolidated Entity related mainly to fair value determination.

7.1 Fair value determinations

Significant judgement: Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Consolidated Entity.

This section sets out information on how the Consolidated Entity determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Consolidated Entity's property, infrastructure, plant and equipment assets are carried at fair value.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

The Consolidated Entity determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Consolidated Entity determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The VGV is the Consolidated Entity's independent valuation agency.

How this section is structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value)
- which level of the fair value hierarchy was used to determine the fair value
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
  – a reconciliation of the movements in fair values from the beginning of the year to the end; and
  – details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for non-financial physical assets (refer to Note 7.1.1) and financial instruments (refer to Note 7.1.2).

7.1.1 Fair value of non-financial assets

2017	Carrying Amount $000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated					
Land	4,375,845	-	-	4,375,845	4,375,845
Buildings and structures	7,443,108	-	-	7,443,108	7,443,108
Track	6,851,238	-	-	6,851,238	6,851,238
Signals and communications	2,916,609	-	-	2,916,609	2,916,609
Property and equipment	4,249,781	-	-	4,249,781	4,249,781
Total non-financial assets	**25,836,581**	**-**	**-**	**25,836,581**	**25,836,581**
Parent					
Land	4,375,845	-	-	4,375,845	4,375,845
Buildings and structures	7,443,108	-	-	7,443,108	7,443,108
Track	6,851,238	-	-	6,851,238	6,851,238
Signals and communications	2,916,609	-	-	2,916,609	2,916,609
Property and equipment	1,035,479	-	-	1,035,479	1,035,479
Total non-financial assets	**22,622,279**	**-**	**-**	**22,622,279**	**22,622,279**

2016	Carrying Amount $000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated					
Land	4,379,146	-	-	4,379,146	4,379,146
Buildings and structures	7,135,059	-	-	7,135,059	7,135,059
Track	6,943,488	-	-	6,943,488	6,943,488
Signals and communications	3,009,648	-	-	3,009,648	3,009,648
Property and equipment	4,133,933	-	-	4,133,933	4,133,933
Total non-financial assets	**25,601,274**	**-**	**-**	**25,601,274**	**25,601,274**
Parent					
Land	4,379,146	-	-	4,379,146	4,379,146
Buildings and structures	7,135,059	-	-	7,135,059	7,135,059
Track	6,943,488	-	-	6,943,488	6,943,488
Signals and communications	3,009,648	-	-	3,009,648	3,009,648
Property and equipment	1,071,197	-	-	1,071,197	1,071,197
Total non-financial assets	**22,538,538**	**-**	**-**	**22,538,538**	**22,538,538**

The Consolidated Entity's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques used to determine fair values

Specialised land and specialised buildings: The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the majority of the Consolidated Entity's specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciation. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of the Consolidated Entity's specialised land and specialised buildings was performed by VGV. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2015.

Infrastructure assets: Infrastructure assets are valued using the depreciated replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis.

An independent valuation of the Consolidated Entity's infrastructure assets was performed by VGV. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2015.

Plant and equipment: Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost cost method.

There were no changes in valuation techniques throughout the period to 30 June 2017.

For all assets measured at fair value, the current use is considered the highest and best use.

Fair value measurements (level 3)

The following table presents the changes in level 3 items for the period ended 30 June 2017 for recurring fair value measurements:

	Parent & Consolidated			
	Land 2017 $'000	Buildings and structures 2017 $'000	Track 2017 $'000	Signals and communications 2017 $'000
Opening balance 1 July 2016	**4,379,146**	**7,135,059**	**6,943,488**	**3,009,648**
Additions	-	-	-	-
Other adjustments	-	-	-	-
Disposals	(894)	-	-	-
Asset held for sale	36	-	-	-
Revaluation movement	(2,443)	(5,004)	(5,743)	(3,307)
Depreciation	-	(156,903)	(178,247)	(196,558)
Transfers from WIP	-	469,956	91,740	106,826
Total	**4,375,845**	**7,443,108**	**6,851,238**	**2,916,609**

	Parent	Consolidated
	Property and equipment	Property and equipment
	2017 $'000	2017 $'000
Opening balance 1 July 2016	**1,071,197**	**4,133,933**
Additions	833	833
Disposals	(387)	(387)
Revaluation movement	(4,748)	(10,169)
Depreciation	(66,213)	(213,810)
Transfer from WIP	34,797	339,381
Total	**1,035,479**	**4,249,781**

	Parent & Consolidated			
	Land	Buildings and structures	Track	Signals and communications
	2017 $'000	2017 $'000	2017 $'000	2017 $'000
Opening balance 1 July 2015	**4,383,433**	**7,258,600**	**7,059,165**	**3,104,678**
Additions	2,568	-	-	-
Other adjustments	-	-	-	-
Disposals	(4,531)	(4,407)	-	(600)
Assets held for sale	(2,324)	-	-	-
Depreciation	-	(138,004)	(176,048)	(193,116)
Revaluation movement	-	-	-	-
Transfers from WIP	-	18,870	60,370	98,686
Total	**4,379,146**	**7,135,059**	**6,943,487**	**3,009,648**

	Parent	Consolidated
	Property and equipment	Property and equipment
	2017 $'000	2017 $'000
Opening balance 1 July 2015	**1,116,780**	**4,054,530**
Additions	1,029	1,029
Disposals	(6,502)	(6,502)
Depreciation	(64,725)	(207,606)
Revaluation movement	-	-
Transfer from WIP	24,615	292,482
Total	**1,071,197**	**4,133,933**

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See above for the valuation techniques adopted.

Description	Valuation technique	Significant unobservable inputs
Parent & consolidated - Land	Market approach	Community service obligation
Parent & consolidated - Buildings and structures	Depreciated replacement cost	Direct cost per square metre Useful life of buildings and structures
Parent & consolidated - Track	Depreciated replacement cost	Cost per unit Useful life of track
Parent & consolidated - Signals and communications	Depreciated replacement cost	Cost per unit Useful life of track
Parent & consolidated - Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment

Land held for sale

The following table provides the fair value measurement hierarchy of the Consolidated Entity's land held for sale.

	Consolidated and Parent 2017	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Land held for sale	**2,287**	-	-	**2,287**

	Consolidated and Parent 2016	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Land held for sale	**2,324**	-	-	**2,324**

7.1.2 Fair value of financial assets and liabilities

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Consolidated Entity currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2016-17 reporting period.

Where the fair value of the financial instruments is different from the carrying amounts, the following information has been included to disclose the difference.

Consolidated		**2017**		**2016**
	Carrying amount $'000	Net fair value $'000	Carrying amount $'000	Net fair value $'000
Financial assets				
Cash assets	52,216	52,216	31,877	31,877
Other financial assets	100	100	100	100
Trade and other receivables	31,173	31,173	33,241	33,241
Total financial assets	**83,489**	**83,489**	**65,218**	**65,218**
Financial liabilities				
Trade and other payables	(41,915)	(41,915)	(31,807)	(31,807)
Borrowings	(569,782)	(570,544)	(661,579)	(636,266)
Total financial liabilities	**(611,697)**	**(612,459)**	**(693,386)**	**(668,073)**
Net financial assets	**(528,208)**	**(528,970)**	**(628,168)**	**(602,855)**

Parent		2017		2016
	Carrying amount $'000	Net fair value $'000	Carrying amount $'000	Net fair value $'000
Financial assets				
Cash assets	51,074	51,074	30,616	30,616
Other financial assets	-	-	-	-
Trade and other receivables	159,471	159,471	161,601	161,601
Total financial assets	**210,545**	**210,545**	**192,217**	**192,217**
Financial liabilities				
Trade and other payables	(41,031)	(41,031)	(30,839)	(30,839)
Borrowings	(1,862)	(1,862)	(1,921)	(1,921)
Total financial liabilities	**(42,893)**	**(42,893)**	**(32,760)**	**(32,760)**
Net financial assets	**167,652**	**167,652**	**159,457**	**159,457**

As none of the Consolidated Entity's financial instruments are recorded at fair value, the hierarchy table has not been disclosed.

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

The Consolidated Entity has no contingent assets as at 30 June 2017 and 30 June 2016.

Contingent liabilities

Environmental and property contingent liabilities

Upon the Consolidated Entity's establishment, and in subsequent asset allocations, the former Public Transport Corporation did not grant indemnities in relation to any consequences of environmental contamination of land and property or compliance with building code regulations that may have been transferred along with the ownership of the land and property.

An action plan has been prepared to address environmental contamination at a number of high priority sites. The Consolidated Entity does not have a present obligation (legal or constructive) as a result of a past event and is unable to reliably estimate future expenditure levels that are expected to be required to address environmental issues, including remediation activities. Due to the absence of a present obligation and the uncertainty regarding the actual quantum of expenditure, no provision for these costs has been included in the financial statements.

Indemnities

Infrastructure leases with the Director of Public Transport

The Consolidated Entity has entered into a number of leases with the Director of Public Transport under which its assets are made available to various transport operators and track access providers. These leases were allocated to PTV when it commenced operations on 2 April 2012. Under these leases the Consolidated Entity provides various indemnities to PTV, for example in relation to the exercise of certain powers under the respective leases. In turn, PTV provides an indemnity to the Consolidated Entity against any losses that may result from the use of the land and infrastructure by its sub-lessees (transport operators and track access providers).

Subject to the note below relating to current litigation and other indemnities, the Directors of the Consolidated Entity are unaware of any circumstances that would lead them to believe that these contingent liabilities will result in any material actual liability, and consequently no provisions are included in the financial statements in respect of these matters.

The Consolidated Entity is currently involved in a number court proceedings and/or formal litigation. The majority of these relate to third party public liability claims for personal injury arising from use of or access to VicTrack owned station and rail infrastructure.

At this stage, it is too early to predict the outcome of these actions and whether any significant liabilities will be incurred by the Consolidated Entity as a result. The exposure to a majority of these claims are limited by the excess stated in the relevant insurance policy that is held with the Victorian Managed Insurance Authority. At the time of print, the maximum, aggregated, financial effect, if VicTrack is liable in all the above cases, is likely to be no more than $955,000.

There are other commitments made by the Consolidated Entity which are not quantifiable at this time, arising from indemnities provided in relation to transactions including leases, consultancy services, service agreements, as well as for Directors of the Consolidated Entity.

7.3 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Consolidated Entity's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes). Such assets and liabilities do not meet the definition of financial instruments in AASB132: Financial Instruments: Presentation.

Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The Consolidated Entity recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)
- term deposits.

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. The Consolidated Entity recognises the following liabilities in this category:

- payables (excluding statutory payables)
- borrowings (including finance lease liabilities).

Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Consolidated Entity concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the Consolidated Entity does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- the rights to receive cash flows from the asset have expired
- the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement
- the Consolidated Entity has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Consolidated Entity has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Consolidated Entity's continuing involvement in the asset.

Impairment of financial assets

At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with *AASB 136 Impairment of Assets*.

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a De-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

7.3.1 Categorisation of financial instruments:

	Contractual financial assets or liabilities designated at fair value through profit/loss $'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss $'000
Consolidated 2017		
Contractual financial assets		
Cash and deposits	-	-
Other financial assets	-	-
Trade and other receivables	-	-
Total contractual financial assets	**-**	**-**
Contractual financial liabilities		
Trade and other payables	-	-
Secured loan	-	-
Lease liability	-	-
Total contractual liabilities	**-**	**-**
Consolidated 2016		
Contractual financial assets		
Cash and deposits	-	-
Other financial assets	-	-
Trade and other receivables	-	-
Total contractual financial assets	**-**	**-**
Contractual financial liabilities		
Trade and other payables	-	-
Secured loan	-	-
Lease liability	-	-
Total contractual liabilities	**-**	**-**

	Contractual financial assets or liabilities designated at fair value through profit/loss $'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss $'000
Parent 2017		
Contractual financial assets		
Cash and deposits	-	-
Other financial assets	-	-
Trade and other receivables	-	-
Total contractual financial assets	**-**	**-**
Contractual financial liabilities		
Trade and other payables	-	-
Secured loan	-	-
Lease liability	-	-
Total contractual liabilities	**-**	**-**
Parent 2016		
Contractual financial assets		
Cash and deposits	-	-
Other financial assets	-	-
Trade and other receivables	-	-
Total contractual financial assets	**-**	**-**
Contractual financial liabilities		
Trade and other payables	-	-
Secured loan	-	-
Lease liability	-	-
Total contractual liabilities	**-**	**-**

Contractual financial assets - loans and receivables $'000	Contractual financial assets available-for-sale $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
52,216	-	-	52,216
100	-	-	100
31,173	-	-	31,173
83,489	**-**	**-**	**83,489**
-	-	41,915	41,915
-	-	171,670	171,670
-	-	398,112	398,112
-	**-**	**611,697**	**611,697**
31,877	-	-	31,877
100	-	-	100
33,241	-	-	33,241
65,218	**-**	**-**	**65,218**
-	-	31,807	31,807
-	-	201,003	201,003
-	-	460,576	460,576
-	**-**	**693,386**	**693,386**

Contractual financial assets - loans and receivables $'000	Contractual financial assets available-for-sale $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
51,074	-	-	51,074
-	-	-	-
159,471	-	-	159,471
210,545	**-**	**-**	**210,545**
-	-	41,031	41,031
-	-	-	-
-	-	1,862	1,862
-	**-**	**42,893**	**42,893**
30,616	-	-	30,616
-	-	-	-
161,601	-	-	161,601
192,217	**-**	**-**	**192,217**
-	-	30,839	30,839
-	-	-	-
-	-	1,921	1,921
-	**-**	**32,760**	**32,760**

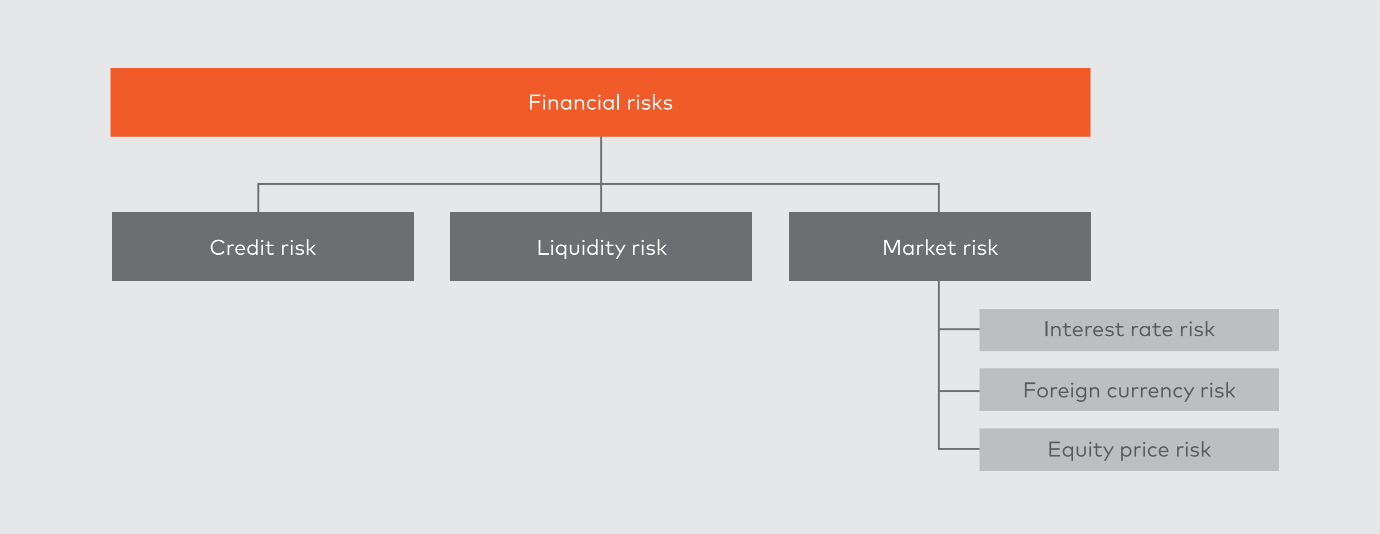
7.3.2 Net holding gain/(loss) on financial instruments by category

	Net holding gain/ (loss) $'000	Total interest income/ expense $'000	Fee income / (expense) $'000	Impairment loss $'000	Total $'000
Consolidated 2017					
Contractual financial assets					
Financial assets - loans and receivables	-	722	-	(200)	522
Total contractual financial assets	**-**	**722**	**-**	**(200)**	**522**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	53,523	-	-	53,523
Total contractual liabilities	**-**	**53,523**	**-**	**-**	**53,523**
Consolidated 2016					
Contractual financial assets					
Financial assets - loans and receivables	-	774	-	(177)	597
Total contractual financial assets	**-**	**774**	**-**	**(177)**	**597**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	61,987	-	-	61,987
Total contractual liabilities	**-**	**61,987**	**-**	**-**	**61,987**
Parent 2017					
Contractual financial assets					
Financial assets - loans and receivables	-	707	-	(200)	507
Total contractual financial assets	**-**	**707**	**-**	**(200)**	**507**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	57	-	-	57
Total contractual liabilities	**-**	**57**	**-**	**-**	**57**
Parent 2016					
Contractual financial assets					
Financial assets - loans and receivables	-	755	-	(177)	578
Total contractual financial assets	**-**	**755**	**-**	**(177)**	**578**
Contractual financial liabilities					
Financial liabilities at amortised cost	-	50	-	-	50
Total contractual liabilities	**-**	**50**	**-**	**-**	**50**

The net holding gains or losses disclosed above are determined as follows:

- for cash and cash deposits, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost

7.3.3 Financial risk management



As a whole, the Consolidated Entity's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.3 Financial instruments.

The main purpose in holding financial instruments is to prudentially manage the Consolidated Entity's financial risks within the government policy parameters.

The Consolidated Entity's main financial risks include credit risk, liquidity risk and interest rate risk. The Consolidated Entity's manages these financial risks in accordance with its financial risk management policy.

The Consolidated Entity's uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with management of the Consolidated Entity.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risks.

Interest rate risk

Interest rate risk arises from the interest bearing financial assets and liabilities that the Consolidated Entity uses. Minimisation of risk is achieved by utilising short term interest bearing financial assets with TCV and established financial institutions.

Exposure to interest rate risk on liabilities is through the loan borrowing and finance lease of Rolling Stock Holdings. Minimisation of risk is achieved by utilising fixed interest rate liabilities.

Interest earned on cash assets is equivalent to the 11.00am cash rate less a fixed premium agreed by the Consolidated Entity and the bank. The weighted average interest rate for the year ended 30 June 2017 was 1.66 per cent (2016: 1.99 per cent). Earnings from interest vary according to movements in the 11.00am cash rate.

Interest income from funds on deposit is fixed at the rate of 5.15 per cent (2016: 5.15 per cent).

Interest rate risk

	Weighted average effective interest rate % $'000	Carrying amount $'000	Fixed interest rate $'000	Variable interest rate $'000	Non interest bearing $'000
Consolidated 2017					
Financial assets					
Cash assets	1.66	52,216	-	52,216	-
Other financial assets	5.15	100	100	-	-
Trade and other receivables	-	31,173	-	-	31,173
Total financial assets		**83,489**	**100**	**52,216**	**31,173**
Financial liabilities					
Trade and other payables	-	41,915	-	-	41,915
Secured loan	5.37 - 6.59	171,670	171,670	-	-
Finance lease	10.10	398,112	398,112	-	-
Total financial liabilities		**611,697**	**569,782**	**-**	**41,915**
Consolidated 2016					
Financial assets					
Cash assets	1.99	31,877	-	31,877	-
Other financial assets	5.15	100	100	-	
Trade and other receivables	-	33,241	-	-	33,241
Total financial assets		**65,218**	**100**	**31,877**	**33,241**
Financial liabilities					
Trade and other payables	-	31,807	-	-	31,807
Secured loan	5.37 - 6.59	201,003	201,003	-	-
Finance lease	10.10	460,576	460,576	-	-
Total financial liabilities		**693,386**	**661,579**	**-**	**31,807**

Interest rate exposure of financial instruments

	Weighted average effective interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non interest bearing
	$'000	$'000	$'000	$'000	$'000
Parent 2017					
Financial assets					
Cash assets	1.66	51,074	-	51,074	-
Other financial assets	-	-	-	-	-
Trade and other receivables	-	159,471	-	-	159,471
Total financial assets		**210,545**	**-**	**51,074**	**159,471**
Financial liabilities					
Trade and other payables	-	41,031	-	-	41,031
Secured loan	-	-	-	-	-
Finance lease	3.67	1,862	1,862		-
Total financial liabilities		**42,893**	**1,862**	**-**	**41,031**
Parent 2016					
Financial assets					
Cash assets	1.99	30,616	-	30,616	-
Other financial assets	-	-	-	-	-
Trade and other receivables	-	161,601	-	-	161,601
Total financial assets		**192,217**	**-**	**30,616**	**161,601**
Financial liabilities					
Trade and other payables	-	30,839	-	-	30,839
Secured loan	-	-	-	-	-
Finance lease	4.06	1,921	1,921		-
Total financial liabilities		**32,760**	**1,921**	**-**	**30,839**

Sensitivity analysis and assumptions

The Consolidated Entity's sensitivity to market risk is determined based on the observed range of actual historical data for processing five year period, with all variable other than the primary risk variable held constant. The Consolidated Entity's management cannot be expected to predict movements in market rates and prices, sensitivity analyses shown for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months;

- a movement of 100 basis points up and 100 basis points down (2016: 100 basis points up and 100 basis points down) in market interest rates (AUD)

The tables that follow show the impact on the Consolidated Entity's net result and equity for each category of financial instrument held at the end of the reporting period, if the above movements were to occur.

		Interest rate risk			
		-1%		1%	
	Carrying amount subject to interest $'000	Net result $'000	Revaluation reserve $'000	Net result $'000	Revaluation reserve $'000
Consolidated 2017					
Financial assets					
Cash assets	52,216	(431)	-	431	-
Total increase/(decrease)		**(431)**	**-**	**431**	**-**
Consolidated 2016					
Financial assets					
Cash assets	31,877	(386)	-	(386)	-
Total increase/(decrease)		**(386)**	**-**	**(386)**	**-**
Parent 2017					
Financial assets					
Cash assets	51,074	(424)	-	424	-
Total increase/(decrease)		**(424)**	**-**	**424**	**-**
Parent 2016					
Financial assets					
Cash assets	30,616	(377)	-	377	-
Total increase/(decrease)		**(377)**	**-**	**377**	**-**

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity.

Credit risk arises from the financial assets of the Consolidated Entity, which comprises cash, trade and other receivables. The maximum exposure to credit risk at reporting date is represented by the carrying amount of those assets in the balance sheet. The receivables mainly relate to payment for the provision of telecommunications services by the Consolidated Entity and property rentals outstanding.

The Consolidated Entity provided a range of telecommunications services under contract to a number of government controlled and private companies. The nature of the entities, in the opinion of the Directors of the Consolidated Entity, has created a low level of credit risk.

The Consolidated Entity's credit exposure in the real estate industry is characterised by a large and diverse range of lessees and licensees. The Consolidated Entity holds bond amounts as security over rent and other receivables. To this extent, the credit risk exposure is regarded as low. Provision for doubtful debts is calculated based on past experience and current and expected future payments.

In addition, the Consolidated Entity does not engage in hedging for its financial assets and mainly obtains financial assets that are on fixed interest.

Credit quality of financial assets that are neither past due nor impaired

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. All receivables are non default customers which have been customers of the Consolidated Entity for more than one year.

	Financial Institutions (AA- credit rating) $'000	Government agencies (AAA credit rating) $'000	Other (unrated) $'000	Total $'000
Consolidated 2017				
Cash and cash deposits	4,011	48,204	-	52,216
Trade and other receivables	-	-	31,173	31,173
Other financial assets	100	-	-	100
	4,111	**48,204**	**31,173**	**83,489**
Parent 2017				
Cash and cash deposits	3,970	47,104	-	51,074
Trade and other receivables	-	-	159,471	159,471
Other financial assets	-	-	-	-
	3,970	**47,104**	**159,471**	**210,545**
Consolidated 2016				
Cash and cash deposits	5,845	26,032	-	31,877
Trade and other receivables	-	-	33,241	33,241
Other financial assets	100	-	-	100
	5,945	**26,032**	**33,241**	**65,218**
Parent 2016				
Cash and cash deposits	5,469	25,147	-	30,616
Trade and other receivables	-	-	161,601	161,601
Other financial assets	-	-		-
	5,469	**25,147**	**161,601**	**192,217**

	Carrying amount	Not past due and not impaired	Past due but not impaired			Impaired financial assets
			31-90 days	91-180 days	Over 180 days	
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated 2017						
Financial assets						
Cash assets	52,216	52,216	-	-	-	-
Other financial assets	100	100	-	-	-	-
Trade and other receivables	31,173	26,292	4,582	82	217	(200)
Total financial assets	**83,489**	**78,608**	**4,582**	**82**	**217**	**(200)**

Parent 2017						
Financial assets						
Cash assets	51,074	51,074	-	-	-	-
Other financial assets	-	-	-	-	-	-
Trade and other receivables	159,471	154,590	4,582	82	217	(200)
Total financial assets	**210,545**	**205,664**	**4,582**	**82**	**217**	**(200)**

Consolidated 2016						
Financial assets						
Cash assets	31,877	31,877	-	-	-	-
Other financial assets	100	100	-	-	-	-
Trade and other receivables	33,241	30,427	2,299	233	282	(177)
Total financial assets	**65,218**	**62,404**	**2,299**	**233**	**282**	**(177)**

Parent 2016						
Financial assets						
Cash assets	30,616	30,616	-	-	-	-
Other financial assets	-	-	-	-	-	-
Trade and other receivables	161,601	158,964	2,299	233	282	(177)
Total financial assets	**192,217**	**189,580**	**2,299**	**233**	**282**	**(177)**

Liquidity risk

Liquidity risk arises when the Consolidated Entity is unable to meet its financial obligations as they fell due. The Consolidated Entity operates under a payment policy of settling obligations within 30 days from date of invoice. To minimise the exposure of liquidity risk the Consolidated Entity has a short term cash management investment policy allowing for adequate holding of high quality liquid assets to meet future cash flows. Notwithstanding the deficiency in the net current assets of $129 million (2016: $74.7 million), the exposure to liquidity risk is deemed insignificant. The ability of the Consolidated Entity to continue paying its debts as and when they fall due is dependent upon existing contractual arrangements continuing to operate as originally intended. Such agreements ensure sufficient contributions are made by the Victorian Government to cover the Consolidated Entity's contractual commitments. There are no financial liabilities that are past due.

Maturity of financial assets/liabilities

The tables below analyse the Consolidated Entity's and Parent Entity's cash inflows and outflows of non-derivative financial instruments. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial instruments	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Consolidated 2017					
Liquid financial assets					
Cash assets	52,216	-	-	52,216	52,216
Trade and other receivables	31,173			31,173	31,173
Other financial assets	100	-	-	100	100
Total financial assets	**83,489**	**-**	**-**	**83,489**	**83,489**
Financial liabilities					
Trade and other payables	41,915	-	-	41,915	41,915
Secured loan	36,601	107,384	27,685	171,670	171,670
Finance lease	122,520	275,592	-	398,112	398,112
Total financial liabilities	**201,036**	**382,976**	**27,685**	**611,697**	**611,697**
Net inflow/(outflow)	**(117,547)**	**(382,976)**	**(27,685)**	**(528,308)**	**(528,208)**

Contractual maturities of financial instruments	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Consolidated 2016					
Liquid financial assets					
Cash assets	31,877	-	-	31,877	31,877
Other financial assets	100	-	-	100	100
Total financial assets	**31,977**	**-**	**-**	**31,977**	**31,977**
Financial liabilities					
Trade and other payables	31,807	-	-	37,377	37,377
Secured loan	34,283	143,451	23,269	201,003	201,003
Finance lease	63,279	397,297	-	460,576	460,576
Total financial liabilities	**129,369**	**540,748**	**23,269**	**693,386**	**693,386**
Net inflow/(outflow)	**(97,392)**	**(540,748)**	**(23,269)**	**(661,409)**	**(661,409)**

Contractual maturities of financial instruments	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Parent 2017					
Liquid financial assets					
Cash assets	51,074	-	-	51,074	51,074
Other financial assets	-	-	-	-	-
Total financial assets	**51,074**	**-**	**-**	**51,074**	**51,074**
Financial liabilities					
Trade and other payables	41,031	-	-	41,031	41,031
Secured loan	-	-	-	-	-
Finance lease	1,057	805	-	1,862	1,862
Total financial liabilities	**42,088**	**805**	**-**	**42,893**	**42,893**
Net inflow/(outflow)	**8,986**	**(805)**	**-**	**8,181**	**8,181**

Parent 2016					
Liquid financial assets					
Cash assets	30,616	-	-	30,616	30,616
Other financial assets	-	-	-	-	-
Total financial assets	**30,616**	**-**	**-**	**30,616**	**30,616**
Financial liabilities					
Trade and other payables	30,839	-	-	30,839	30,839
Secured loan	-	-	-	-	
Finance lease	875	1,046	-	1,921	1,921
Total financial liabilities	**31,714**	**1,046**	**2,385**	**32,760**	**32,760**
Net inflow/(outflow)	**(1,098)**	**(1,046)**	**(2,385)**	**(2,144)**	**(2,144)**

8.
Other disclosures

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

8.1 Responsible Persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994 (FMA), the following disclosures are made regarding responsible persons for the reporting period.

The names of persons who were Responsible Persons of the Consolidated Entity at any time during the financial year and until the date of this report are as follows:

Responsible Minister

The Hon Jacinta Allan MP, Minister for Public Transport
The Hon Tim Pallas MP, Treasurer

Directors

Director	Appointment	Retired
John Lenders (Chair)	1 April 2015	
Yehudi Blacher (Deputy Chair)	12 April 2012	
Paula Allen	1 April 2016	
Brian Bulluss	13 October 2011	31 July 2017
Collette Burke	23 July 2015	
Geraldine Gray	23 July 2015	
David Hunter	13 October 2011	31 July 2017
Michael Trumble	4 February 2012	
Randall Straw	1 September 2017	

Accountable Officer
Campbell A. Rose AM

Remuneration of Responsible Persons:
Remuneration paid or payable to Responsible Persons during the year was

Income band	Consolidated		Parent	
	2017 No.	2016 No.	2017 No.	2016 No.
Less than $10,000	-	1	-	1
$10,000 to $19,999	-	-	-	-
$20,000 to $29,000	-	1	-	1
$30,000 to $39,000	-	2	-	2
$40,000 to $49,000	7	4	7	4
$80,000 to $89,000	1	1	1	1
$420,000 to $429,000	-	1	-	1
$460,000 to $469,999	1	-	1	-

Total remuneration of responsible persons: $846,993 (2016: $786,486)

Responsible Persons' remuneration shown in aggregate above includes Directors' fees and superannuation contributions paid on behalf of Directors by the Consolidated Entity. The amount excludes insurance premiums paid by the Consolidated Entity in respect of Directors and Officers insurance contracts. The Accountable Officer's remuneration for the 30 June 2017 year included the total salary package received during the year and a performance bonus relating to the 30 June 2016 year.

8.2 Executive Officers' remuneration

The number of executive officers, other than the Ministers and the accountable officer, and their total remuneration during the reporting period are shown in the table at the top of page 101. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and renegotiated and a number of executive officers resigned in the past year.

The Executive Officer's remuneration amounts for the Consolidated Entity and the Parent Entity are the same.

Renumeration of executive officers	Total renumeration 2017	2016
Short-term employee benefits	3,655	
Post employment benefits	359	
Other long term benefits	99	
Total remuneration (a)	**4,113**	
Total number of executives	**23**	**20**
Total annualised employee equivalents	**18.5**	**15.1**

Notes: (a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

8.3 Related Parties

VicTrack is a wholly owned and controlled statutory corporation of the State of Victoria.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Country of incorporation	Percentage of equity interest held by the Consolidated Entity 2017	2016
Rolling Stock Holdings (Victoria) Pty Ltd	Australia	100%	100%
Rolling Stock (Victoria - VL) Pty Ltd	Australia	100%	100%
Rolling Stock (VL-1) Pty Ltd	Australia	100%	100%
Rolling Stock (VL-2) Pty Ltd	Australia	100%	100%
Rolling Stock (VL-3) Pty Ltd	Australia	100%	100%

Related parties of the Consolidated Entity include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

Significant transactions with government-related entities

Significant transactions with government-related entities during the year are disclosed below:

Descriptions	$000
Public Transport Victoria (PTV)	
Contributions received for repayment of borrowings in relation to acquisition of rolling stocks	115,313
Equity contributions received	692,799
Infrastructure management, construction and other services provided	26,877
Receivables for infrastructure management, construction and other services provided	3,787
Department of Economic Development, Jobs, Transport and Resources (DEDJTR)	
Equity contributions received	2,405,835
Infrastructure management, construction and other services provided	15,434
Receivables for infrastructure management, construction and other services provided	2,158
Treasury Corporation of Victoria (TCV)	
Interest expense paid during the financial for loans in relation to acquisition of rolling stocks	4,936
Cash and deposits with TCV as at 30 June 2017	47,104
Loan balances owed to TCV as at 30 June 2017	83,881

Descriptions	$000
V/Line Corporations	
Leasing of rolling stock to V/Line Corporation through the State of Victoria	29,225
Telecommunications and other services provided	18,532
Receivables for telecommunications and other services provided	2,092
Department of Treasury and Finance (DTF)	
Capital asset charge	1,905,249

Key management personnel

The Directors (as listed in note 8.1) and senior management forms part of the key management personnel of the Consolidated Entity.

Senior management during the financial year and until the date of this report are as follows:

Name	Position
Campbell A. Rose AM	Chief Executive & Accountable Officer
Garry Button	Deputy Chief Executive
Anna Poulos	General Manager Communications and Engagement
Kristen Georgakopoulos	General Manager People and Culture
Bruce Moore	General Manager Telecommunications Group
Daniel Van Oosterwijck	General Manager Project Delivery Group
Ben Needham	General Manager Property Group (19 December 2013 to 9 September 2016)
Peter Chau	General Manager Property Group (Appointed 14 November 2016)
Jim Dolkas	Acting General Manager Property Group (25 August to 22 November 2016)
Mark Eldridge	Acting General Manager Business Services (10 April to 4 August 2017)

Key management personnel compensation

Name	2017 $'000
Short-term employee benefits	2,214
Post employment benefits	165
Other long term benefits	40
Total	**2,419**

The compensation for key management personnel for the Consolidated Entity and the Parent Entity are the same.

Transactions and balances with key management personnel

No Director or other key management personnel have entered into a material contract or other material transactions with the Consolidated Entity since the end of the previous financial year and there were no contracts or balances involving key management personnel interests existing at 30 June 2017 (2016:nil).

8.4 Other economic flows included in net result

Other economic flows are changes in the volume or value an asset or liability that does not result from transactions.

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net gain/(loss) on non-financial assets				
Impairment of property, plant and equipment	(76,801)	(52,084)	(54,443)	(52,084)
Net gain on disposal or property, plant and equipment	17,304	5,675	17,304	5,675
Total net gain/(loss) on non-financial assets	**(59,496)**	**(46,409)**	**(37,139)**	**(46,409)**
Other gains/(losses) from other economic flows				
Other gains/(losses) from revaluation of long service liability	238	720	238	720
Increase/(decrease) in provision for doubtful debts	(23)	(66)	(23)	(66)
Total other gains/(losses) from other economic flows	**215**	**654**	**215**	**654**
Total gain/(loss) on non-financial assets	**(59,281)**	**(45,755)**	**(36,924)**	**(45,755)**

Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

- Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting the proceeds from the carrying value of the asset at the time.
- Impairment on non-financial assets as described in Note 4.1.2 Impairment of non-financial physical assets.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from:

- The revaluation of the present value of the long service leave liability due to changes in the bond interest rates or other assumptions.

8.5 Non-financial assets classified as held for sale

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Non-financial assets				
Land held for sale	2,287	2,324	2,287	2,324
Total non-financial assets classified as held for sale	**2,287**	**2,324**	**2,287**	**2,324**

Measurement of non-financial physical assets

Non-financial physical assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- The asset is available for immediate use in the current condition; and
- The sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

8.6 Functional and presentation currency

The consolidated financial statements are denominated in Australian dollars, which is the functional and presentation currency of the Consolidated Entity.

8.7 Audit fees

Audit fees paid or payable to the Victorian Auditor-General's Office for the audit of the financial statements were $154,200 (2016 $151,000) for the Consolidated Entity and $92,900 (2016 $90,000) for the parent entity.

8.8 Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Consolidated Entity and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

On 18 July 2017, the Melbourne Market Authority transferred land worth $120m to the Consolidated Entity.

Other than the above, no events have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

8.9 Other accounting policies

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed inclusive of GST recoverable from, or payable to, the ATO.

Dividends

Section 36 of the *Rail Corporations Act 1996* provides for a rail corporation to pay to the state amounts as directed by the Treasurer of Victoria after consultation with the Board of the Consolidated Entity and the Minister.

No determination was received from the Treasurer requiring the Consolidated Entity to make a dividend payment in respect to the years ended 30 June 2016 and 30 June 2017.

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Other financial assets

Other financial assets consists of funds on deposit. The use of funds on deposit is restricted to payments of interest on borrowings and payments to suppliers in relation to the construction of new rolling stock. The amount on deposit is subject to a fixed interest rate of 5.15 per cent (2016: 5.15 per cent) with quarterly payments of interest.

Physical asset revaluation surplus

The physical asset revaluation surplus is used to record increases and decreases in the fair value of property, infrastructure, plant and equipment.

8.10 New and amended standards adopted by the Consolidated Entity

The following accounting pronouncements effective from the 2015-16 reporting period are considered to have insignificant impacts on public sector reporting:

- *AASB 1056 Superannuation Entities*
- *AASB 1057 Application of Australian Accounting Standards*
- *AASB 2014-1 Amendments to Australian Accounting Standards [Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*
- *AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
- *AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*
- *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- *AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*
- *AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*
- *AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*
- *AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

8.11 New accounting standards and interpretations

Australian Accounting Standards and Interpretations applicable to the Consolidated Entity that have recently been issued or amended but are not yet effective, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2017. These are outlined in the table below:

Topic	Key requirements	Effective date	Impact
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2018	Management is currently assessing the effects of applying the new standard on the Consolidate Entity's financial statements. The changes in revenue recognition requirements are is likely to cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. At this stage, the Consolidated Entity is not able to estimate the effect of the new rules on the Consolidated Entity's financial statements. The Consolidated Entity will make more detailed assessments of the effect over the next twelve months.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably.	1 January 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply 1 January 2018.	
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	This Standard amends AASB 15 to clarify requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 January 2018	
AASB 1058 Income of Not-for-Profit Entities	This Standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 January 2019	

Topic	Key requirements	Effective date	Impact
AASB 9 Financial Instruments	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	The impact of the change is being assessed by the Consolidated Entity.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2018	The impact of the change is being assessed by the Consolidated Entity.
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2018	No significant impact on entity reporting
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	No significant impact on entity reporting
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 January 2019	The impact of the change is being assessed by the Consolidated Entity.
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017	The impact of the change is being assessed by the Consolidated Entity.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors.

8.12 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Actuarial gains or losses on superannuation defined benefit plans are changes in the present value of the superannuation defined benefit liability resulting from:

(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and

(b) the effects of changes in actuarial assumptions.

Amortisation is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

Borrowings refers to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest bearing arrangements. Borrowings also include non-interest bearing advances from government that are acquired for policy purposes.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Current grants are amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Effective interest method is the method used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset is any asset that is:

(a) cash

(b) an equity instrument of another entity

(c) a contractual right:
- to receive cash or another financial asset from another entity
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity

(d) a contract that will or may be settled in the entity's own equity instruments and is:
- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:

(a) a contractual obligation:
- to deliver cash or another financial asset to another entity
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity

(b) a contract that will or may be settled in the entity's own equity instruments and is:
- a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements comprises:

(a) a balance sheet as at the end of the period

(b) a comprehensive operating statement for the period

(c) a statement of changes in equity for the period

(d) a cash flow statement for the period

(e) notes, comprising a summary of significant accounting policies and other explanatory information

(f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements

(g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

Grant expenses and other transfers are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

Infrastructure systems provide essential services used in the delivery of final services or products. They are generally a complex interconnected network of individual assets and mainly include sewerage systems, water storage and supply systems, and public transport assets owned by the State.

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Leases are rights to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Net financial liabilities is calculated as liabilities less financial assets. This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements).

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Net operating balance or net result from transactions is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

Non-financial assets are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, cultural and heritage assets, intangibles and biological assets such as commercial forests.

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'. Refer also 'net result'.

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They include changes in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

Payables includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films and research and development costs (which does not include the start-up costs associated with capital projects).

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the Department.

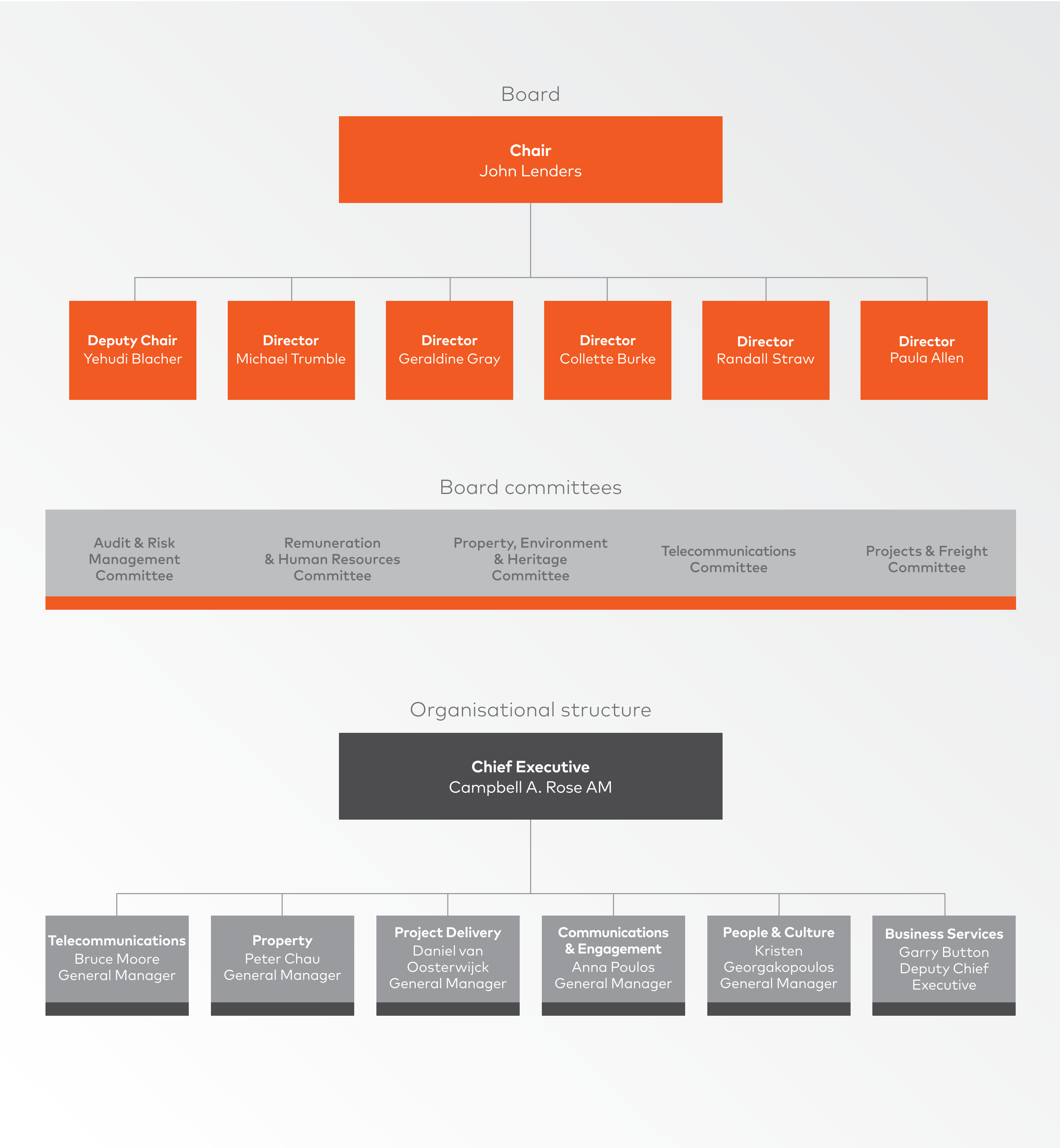
Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Section 2:

Governance & organisation

Corporate governance

VicTrack is committed to high standards of corporate governance because this is in the best interests of VicTrack, the Victorian Government, the Victorian public and other stakeholders. To achieve this, VicTrack has developed corporate governance policies and structures having regard to applicable statutory requirements and relevant best practice recommendations.



Board role and responsibilities

The VicTrack Board of Directors is responsible for the strategic oversight of VicTrack's affairs, including corporate governance practices and overall business performance. The Directors are appointed by the Governor-in-Council and are accountable to both the Minister for Public Transport and the Treasurer. The role and responsibilities of the Board are set out in a formal Board Charter.

Each subsidiary company within the Rolling Stock Holdings group of companies also has the same Board of Directors with responsibility for the relevant company.

Board composition

At year end, the Board comprised eight independent, non-executive Directors: John Lenders (Chair), Yehudi Blacher (Deputy Chair), Brian Bulluss, David Hunter, Michael Trumble, Geraldine Gray, Dr Collette Burke and Paula Allen. Each Director has wide experience across various sectors and organisations and together they bring a diverse range of knowledge and business expertise to VicTrack.

Board meetings

VicTrack held eight Board meetings in 2016-17.

Board performance

In accordance with the Board Charter, the Board conducts an annual review to evaluate its performance and identify areas for improvement.

Delegation to management

Day-to-day management of VicTrack is delegated to the Chief Executive and other senior managers pursuant to a formal delegations policy. This policy is reviewed annually by the Board, and was last reviewed and approved by the Board at the June 2017 Board meeting.

Board committees

Five Board committees assisted the Board to perform its role during the year. Each is chaired by a Director and has a formal charter setting out its roles and responsibilities.

At year end, the members of the Board sub-committees were:

Audit & Risk Management Committee (ARMC)

David Hunter (Chair), Brian Bulluss, Geraldine Gray, Paula Allen and Tina Santomingo (appointed as a non-director member on 22 February 2017).

Remuneration & Human Resources Committee (RHRC)

John Lenders (Chair), Yehudi Blacher and Geraldine Gray.

Property, Environment & Heritage Committee (PEHC)

Michael Trumble (Chair), David Hunter and Yehudi Blacher.

Telecommunications Committee (TLC)

Brian Bulluss (Chair), Collette Burke, Randall Straw (non-director member) and Paula Allen (appointed as of 3 October 2016).

Projects & Freight Committee (PFC)

The Freight Logistics Committee held its last meeting on 3 May 2016 before evolving to the Projects & Freight Committee, with its inaugural meeting held on 2 August 2016.

Yehudi Blacher (Chair), David Hunter, John Lenders and Collette Burke (appointed as of 2 August 2016).

Corporate Plan

VicTrack is required, under the *Transport Integration Act 2010* and the *State Owned Enterprises Act 1992*, to prepare a corporate plan for Ministerial approval. The purpose of the plan is to establish the framework for business strategies and performance monitoring, to be agreed between the Board, the Minister for Public Transport and the Treasurer. The corporate plan is prepared annually and covers a four-year period starting from the current financial year.

Board and committee meetings

Member	Board	ARMC	PEHC	TLC	RHRC	PFC
John Lenders	8	-	-	-	2	4
Yehudi Blacher	8	-	4	-	1	4
Paula Allen (i)	7	5	-	4	-	-
Brian Bulluss	6	3	-	4	-	-
Collette Burke (ii)	7	-	-	4	-	4
Geraldine Gray	7	5	-	-	2	-
David Hunter	7	4	3	-	-	3
Michael Trumble	8	-	4	-	-	-
Randall Straw	n/a	n/a	n/a	4	n/a	n/a
Tina Santomingo (iii)	n/a	2	n/a	n/a	n/a	n/a

(i) Appointed to TLC as a member from 3 October 2016
(ii) Appointed to PFC as a member from 2 August 2016
(iii) Appointed to ARMC as a member on 22 February 2017

Ministerial Directions and Orders in Council

During the reporting period, no Ministerial Directions or Orders in Council were given to the VicTrack Board by the Treasurer or the Minister for Public Transport.

Occupational health and safety

The goal of VicTrack's occupational health and safety strategy is to ensure all staff remain safe and healthy at work. During the 2016-17 financial year, VicTrack developed several initiatives to improve the health and safety of staff, the provision of health and wellbeing information and testing, influenza vaccinations and support for staff participating in corporate fitness programs. VicTrack undertook wellbeing activities for R U Ok? Day RAIL 2017.

VicTrack undertook a review and update of its OHS procedures during the 2016-17 financial year, to complement work conducted in the previous financial years to it rail safety management system. VicTrack undertook an organisation-wide independent safety culture maturity assessment, which identified recommendations as to where VicTrack can bolster its health and safety operations.

There was one reported lost time injury during the financial year, resulting in the affected worker losing the equivalent of one full shift.

Year	2014-15	2015-16	2016-17
Rail safety incidents	15	9	20
Lost time injuries	3	3	1

Rail safety

VicTrack has undertaken a substantive review of its Safety Management System (SMS) as part of expanding its existing rail accreditation to include trunk telecommunications infrastructure (TTI) for the metropolitan rail network. VicTrack application to include TTI was granted by the Office of the National Rail Safety Regulator (ONRSR) on 10 January 2017.

There have been twenty (20) reportable rail safety incidents to the regulator (ONRSR) for this financial year.

Measure		2014-15	2015-16	2016-17
Claims		3	3	1
	Number of claims exceeding 13 weeks	2	0	0
Fatalities	Fatalities claims	0	0	0
Return to work	Percentage of claims with return to work plan <30 days	100%	100%	100%
Management commitment	Evidence of OHS policy statement, OHS objectives, regular reporting to senior management on OHS, and OHS plans (signed by CEO or equivalent)	Statement of commitment signed by CE. Monthly reporting to senior executives.	Statement of commitment signed by CE. Monthly reporting to senior executives.	Statement of commitment signed by CE. Monthly reporting to senior executives.
	Evidence of OHS criteria in purchasing guidelines (including goods, services and personnel)	Purchasing guidelines contain OHS criteria.	Procurement process was reviewed and updated in accordance with recent revisions to Ministerial Direction 1.	Procurement process was reviewed and updated to include improvements to the OHS criteria.
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), Health and Safety Representatives (HSRs), and Issue Resolution Procedures	There are six designated work groups in total with 11 HSRs and Deputy HSRs appointed and trained. OHS consultation, communication, and issue resolution procedure established with clear guidance for employees, OHS Committee and management. OHS Committee terms of reference in place, with both terms of reference and OHS consultation, communication, and Issue resolution procedure endorsed by management and OHS Committee.	There are six designated work groups in total with 11 HSRs and Deputy HSRs appointed and trained. OHS consultation, communication, and issue resolution procedure was reviewed in 15-16 for currency. Safety Committee terms of reference was reviewed, updated and endorsed by the Executive Team and the Safety Committee.	There are seven designated work groups with 14 HSRs and Deputy HSRs appointed and trained. A review of the designated work group structure was conducted following recent restructuring. An additional designated work Group was identified and agreed via consultation process.
	Compliance with agreed structure on DWGs, HSRs, and IRPs	All DWGs have HSR representation and have access to the OHS consultation, communication, and issue resolution procedure.	All DWGs have HSR representation and have access to the OHS consultation, communication, and issue resolution procedure.	All DWGs have HSR representation and have access to the OHS consultation, communication, and issue resolution procedure.
Safety risk management	Percentage of internal audits/inspections conducted as planned	100% of planned workplace inspections completed.	100% of planned workplace inspections completed.	100% of planned workplace inspections completed.
Compliance	Number of WorkSafe notices issued	Nil issued	Nil issued	2*
Training	Percentage of managers and staff that have received OHS training:			
	Induction	100%	100%	100%
	Percentage of HSRs trained.	100%	100%	100%

* WorkSafe issued improvement notices relating to Prevention of Workplace Discrimination Bullying and Harassment Policy and training improvements.

Section 3:

Workforce data

Employment and conduct principles

VicTrack is committed to applying equity principles when appointing staff. Selection processes ensure that applicants are assessed and evaluated fairly and on the basis of key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collection.

Highly capable, resilient and engaged workforce

VicTrack seeks a goal of highly capable leaders and staff to deliver outcomes for Victorians. It seeks to do this through strengthening workforce and leadership capabilities and by implementing strategies to deliver long-term success for Transport. These initiatives include a Competency Framework, Learning and Development Strategy to support Career Pathways in Transport. In 2017 VicTrack delivered the first phase of the VicTrack Competency Framework. The pilot informs and supports the roll out to broader organisation in 2017-18.

Workforce inclusion policy

VicTrack is guided by its value, provides a collaborative environment and commits to fostering a respectful culture where everyone can thrive. VicTrack continues to work toward achieving an inclusive workplace that is safe, free from discrimination, bullying and harassment and where equal opportunity and diversity are valued. VicTrack measures gender diversity against department targets; VicTrack's female representation increased by three per cent with the 2016-17 profile representing 29 per cent female and 71 per cent male.

Public administration values and employment principles

VicTrack adheres to and upholds the values, principles and conduct of the Victorian Public Sector Commission (VPSC). VicTrack Employment practices are underpinned by the VPSC values and principles of Responsiveness, Integrity, Impartiality, Accessibility, Respect, Leadership, and Human Rights.

VicTrack believes that treating employees fairly and respectfully is the right thing to do. A refresh of VicTrack Employment policies commenced in 2017 to support the growing and diverse workforce and to incorporate VPSC principles. This includes but is not limited to policies with respect to attraction and retention, working together, development, managing grievances, prevention of workplace discrimination, bullying and harassment and fostering diversity. The review commenced to ensure policies reflect VicTrack's values-based culture underpinned by the six VPSC standards defining employment principles:

- Fair and Reasonable Treatment
- Merit in Employment
- Equal Employment Opportunity
- Human Rights
- Reasonable Avenue of Redress
- Career Public Service

Comparative workforce data (i) (ii)

Table 1.
Full time equivalents (FTE) staffing trends from 2013 to 2017

2017	2016	2015	2014	2013
367	**319**	**319**	**304**	**290**

Table 2.
Summary of employment levels in June of 2017 and 2016

	Ongoing employees (iii)				Fixed term and casual employees
	Employees (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE
June 2017	**378**	**276**	**13**	**278**	**89**
June 2016	**326**	**240**	**13**	**249**	**73**

(i) All figures reflect employment levels during the last full pay period in June of each year

(ii) Excluded are those on leave without pay or absent on secondment, external contractors/consultants, and temporary staff employed by employment agencies

(iii) Ongoing employees includes people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June

Table 3.
Details of employment levels in June of 2017 and 2016(iv)

	2017			2016		
	Ongoing	Fixed term employees		Ongoing	Fixed term employees	
	Employees (headcount)	FTE	FTE	Employees (headcount)	FTE	FTE
Gender						
Male	205	200	54	186	185	37
Female	84	78	14	67	64	16
Age						
15-24	2	2	1	0	0	3
25-34	44	40	10	46	45	9
35-44	92	89	21	76	74	18
45-54	93	93	20	81	81	13
55-64	53	50	15	46	45	9
65+	5	4	1	4	4	1
Total	**289**	**278**	**68**	**253**	**249**	**53**
Classification						
VPS 1	0	0	0	0	0	3
VPS 2	7	6	0	3	3	2
VPS 3	21	18	4	13	11	2
VPS 4	52	50	5	45	44	5
VPS 5	100	98	4	80	80	4
VPS 6	109	106	25	112	111	16
STS	0	0	30	0	0	21
Executive	0		21	0	0	20
Total	**289**	**278**	**89**	**253**	**249**	**73**

(iv) 2017 includes EO data in the classification summary. The 2016 classification total has been updated to reflect EO data in the total Executive officer data

Executive Officer Data

An executive officer (EO) is defined as a person employed as a public service body head or other executive under Part 3, Division 5 of the *Public Administration Act 2004*, or is a person whom the Victorian Government's Policy on Executive Remuneration in Public Entities applies.

Table 4.
Annualised total salary, by $20,000 bands, for executives and other senior non-executive staff(v)

Income band (salary)	Executives	Senior Technical Specialists	Other
< $160,000	1	20	
$160,000 to $179,999	13	10	
$180,000 to $199,999			
$200,000 to $219,999	2		
$220,000 to $239,999	1		
$240,000 to $259,999	2		
$260,000 to $279,999	1		
$280,000 to $299,999			
$300,000 to $319,999			
$320,000 to $339,999			
$340,000 to $359,999			
$360,000 to $379,999	1		
$380,000 to $399,999			
Total	**21**	**30**	**0**

(v) The salaries reported above reflect the full financial year and exclude superannuation. 2017 is the first reporting year for this disclosure. No comparative data is provided.

Section 4:

Other disclosures

Local Jobs First – Victorian Industry Participation Policy

The Victorian Industry Participation Policy Act 2003 requires departments and public sector bodies to report on the implementation of the Local Jobs First – Victorian Industry Participation Policy (Local Jobs First – VIPP). Departments and public sector bodies are required to apply the Local Jobs First – VIPP in all procurement activities valued at $3 million or more in metropolitan Melbourne and for state wide projects, or $1 million or more for procurement activities in regional Victoria.

During 2016-17, VicTrack commenced four Local Jobs First – VIPP applicable procurements totalling $30 million. Of those projects, one was located in regional Victoria, one in metropolitan Melbourne and two are state wide. The outcomes expected from the implementation of the Local Jobs First – VIPP to these projects where information was provided are as follows:

- an average of 90 per cent of local content commitment was made
- a total of 247 jobs (AEE) were committed, including the creation of 68 new jobs and the retention of 179 existing jobs (AEE)
- a total of 45 positions for apprentices/trainees were committed, including the creation of 24 new apprenticeships/traineeships, and the retention of the remaining 21 existing apprenticeships/traineeships.

The commitments to the Victorian economy in terms of skills and technology transfer include training and skills development of apprentices and R&D Programs.

During 2016-17, VicTrack did not complete any Local Jobs First – VIPP applicable projects.

Engagement of consultants

Details of consultancies (valued at $10,000 or greater)

In 2016-17, there were 51 consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2016-17 in relation to these consultancies was $2.14 million (excluding GST). Details of individual consultancies can be viewed at www.victrack.com.au/annualreports.

Details of consultancies under $10,000

In 2016-17, there were 21 consultancies engaged during the year, where the total fees payable to the individual consultancies was less than $10,000. The total expenditure incurred during 2016-17 in relation to these consultancies was $0.1 million (excluding GST).

Disclosure of major contracts

VicTrack did not enter into contracts greater than $10 million in value during 2016-17. In accordance with the requirements of government policy and accompanying guidelines, VicTrack discloses all contracts greater than $10 million in value. During 2016-17 no contracts reaching that value were entered into.

Freedom of information

The Freedom of Information Act 1982 (Vic) (FOI Act) allows the public a right of access to documents held by VicTrack. For the year ending 30 June 2017, VicTrack received 10 requests, all from the general public (including one which was transferred from the Department of Economic Development, Jobs, Transport and Resources).

VicTrack transferred two requests to the Department of Economic Development, Jobs, Transport and Resources (DEDJTR).

No internal reviews were requested, no reviews were sought of the Information Commissioner and no notifications of VCAT hearings were received.

Requests received	
Requests received in 2016-17 (including two transferred to DEDJTR and one transferred from DEDJTR)	10
Requests received in 2015-16 and finalised in 2016-17	1

Decisions on FOI requests in 2016-17	
Access granted in full	3
Access granted in part	1
Access refused	0
Documents not located/do not exist	4
Other	2
Not yet finalised	1

Reviews of decisions	
Nil	

Complaints	
Complaints to Information Commissioner	1
Complaints to VCAT	0

Transfers	
Requests referred to other department (pursuant to s18 of the FOI Act)	2

Making a request

Access to documents may be obtained through a written request to the Freedom of Information Officer as detailed in s17 of the *Freedom of Information Act 1982*.

In summary, the requirements for making a request are:

- it should be in writing
- it should identify as clearly as possible which document is being requested
- it should be accompanied by the appropriate application fee (being $28.40 as at 1 July 2017), which may be waived in certain circumstances.

Requests should be submitted to:
The Freedom of Information Officer
VicTrack
GPO Box 1681
Melbourne Victoria 3001

Additional information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained and are available to relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers

b) details of shares held by a senior officer as nominee or held beneficially in VicTrack or a subsidiary

c) details of publications produced by VicTrack itself and where they can be obtained

d) details of changes in price, fees, charges, rates and levies charged by VicTrack

e) details of any major external reviews carried out on VicTrack

f) details of major research and development activities undertaken by VicTrack

g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit

h) details of major promotional, public relations and marketing activities undertaken by VicTrack to develop community awareness of VicTrack and its services

i) details of assessments and measures undertaken to improve the occupational health and safety of employees

j) a general statement on industrial relations within VicTrack and details of time lost through industrial accidents and disputes

k) a list of major committees sponsored by VicTrack, the purposes of each committee and the extent to which the purposes have been achieved

l) details of all consultancies and contractors, including consultants/contractors engaged, services provided and expenditure committed to for each engagement

The information is available on request from the Deputy Chief Executive at the address on the back cover of this report.

Compliance with the *Building Act 1993*

VicTrack is working towards full compliance with the building and maintenance provisions of the *Building Act 1993* in relation to the buildings it owns. A compliance program is in place in order to meet these requirements and relevant guidelines.

National Competition Policy

Under the National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that: the benefits of the restriction to the community as a whole outweigh the costs the objectives of the legislation can only be achieved by restricting competition.

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if they are not in the public interest. Government businesses are required to cost and price these services as if they were privately owned and thus be fully cost reflective. Competitive neutrality policy provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

In 2014, VicTrack's policies and processes were updated to ensure alignment with Victoria's Competitive Neutrality Policy. This was based on VicTrack's 2014 review which found VicTrack's business processes for price determination are consistent with the Victorian Competitive Neutrality Policy.

The infrastructure leases with Public Transport Victoria provide for open access to Victoria's rail infrastructure. PTV sub-leases to national, regional and suburban train and tram operators to facilitate the state's open access regime, fostering competition among intrastate and interstate transport companies.

VicTrack also manages the Dynon Rail Freight Terminal. Critical rail facilities fall within the Victorian rail access regime and others compete on a commercial basis.

VicTrack has approached its other non-transport opportunities within the framework of maintaining an open track access regime. That is, no one party is given exclusive rights to the rail corridor to the detriment of competition.

Compliance with the *Protected Disclosure Act 2012* (formerly the *Whistleblowers Protection Act 2001*)

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

VicTrack does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

VicTrack will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Disclosures of improper conduct or detrimental action by VicTrack or any of its employees and/or officers may also be made directly to the Independent Broad-Based Anti-Corruption Commission:

Level 1, North Tower, 459 Collins Street
Melbourne Victoria 3000

Internet: www.ibac.vic.gov.au which has a secure form for making anonymous complaints.

Alternatively, disclosures of improper conduct or detrimental action by VicTrack or any of its employees and/or officers may be made to:

- the Protected Disclosure Coordinator, being the General Counsel and Company Secretary
- the Chief Executive
- a manager or supervisor of a VicTrack employee who chooses to make a disclosure
- a manager or supervisor of a VicTrack employee about whom a disclosure has been made.

However, a person that discloses improper conduct or detrimental action by VicTrack to the VicTrack Protected Disclosure Coordinator may not be afforded protection under the Act.

During the year, there were no disclosures made to VicTrack, nor disclosed matters referred to the Ombudsman.

Office based environmental impacts

VicTrack monitored on the environmental impacts of its operations during 2016-17. This was undertaken predominantly at the end of the year when data was collected and monitored.

Throughout 2016-17, VicTrack developed an environmental management system (EMS) in line with the international standard ISO14001. An environmental sustainability strategy along with targets and key performance indicators was also developed. The EMS focussed on four themed areas: (1) understanding our environmental impacts and building resilience; (2) protecting and conserving our natural assets; (3) contamination management; and (4) empowering our employees. The EMS will be used to monitor office and operational environmental impacts going forward, and to assist with influencing external stakeholders.

VicTrack commenced consolidation of its offices into one location in 2016-17, which has resulted in some data sets not being collected and analysed this financial year.

The suite of environmental indicators presented below is based on Financial Reporting Direction 24C.

VicTrack's greenhouse gas inventory has been prepared using The National Greenhouse Accounts Factors updated by the Australian Government's Department of Environment in August 2016.

Energy

VicTrack consumed energy at a number of corporate and operational facilities including: La Trobe Street Docklands, LifeLab suites (6 suites), 595 Collins Street Melbourne, Spotswood Archives Centre and North Dynon terminal. Energy data was collected through the energy retailer's billing information.

Energy consumed for base building amenities such as heating, cooling, fire and security systems at 1010 La Trobe Street, 595 Collins Street and LifeLab office locations was not metered separately for each tenant within the building, was charged to building management and subsequently apportioned to each occupier within the building based on the occupied floor space. As such, the amount of energy consumed by VicTrack for base building amenities at these locations has not been included in the energy usage report since 2014-15.

VicTrack owned and operated three data centres including Gertrude Street, Spotswood and Spencer Street. The facilities were used for VicTrack's unified communications system and as primary and secondary data centres to operate information and communication technology. The data centres were for both VicTrack operational and external customer use.

Table 1.
Energy use

Indicator	2016-17	2015-16[1]	2014-15[2]
Office based			
Total energy usage (office based)[3 4] (MJ)	3,344,064	3,511,681	3,186,351
Greenhouse gas emission associated with total energy use (t CO2-e) (office based)	1,013	1,102	1,044
Percentage of energy purchased as green power	0	0	0
Units of energy used per FTE (MJ / FTE)	9,129	11,018	9,989
Units of energy used per unit of office area (MJ/m2)	888	829	820
Operational and data centres			
Total energy usage (operational facility) (MJ)	612,686	179,037	120,816
Total energy usage (data management) (MJ)	8,762,581	9,822,550	9,119,760
Greenhouse gas emission associated with total energy use (t CO2-e) (operational based)	186	56	40
Greenhouse gas emission associated with total energy use (data management) (T CO2-e)	2,653	3,083	2,989

[1] Total energy usage data updated from 2015-16 to separate corporate office and operational facility data usage.

[2] Total energy usage data updated from 2015-16 to separate corporate office and operational facility data usage.

[3] Total energy usage at VicTrack corporate office based facilities includes 1010 La Trobe Street, LifeLab, 595 Collins Street. The data also includes energy usage for the NOC (Network Operations Centre) located at 1010 La Trobe Street, which is a 24 hour 7 days per week facility that manages data and monitors the network. Currently, the NOC is not metered separately from the corporate office facility and therefore energy usage reported appears to be higher than expected for a corporate facility.

[4] Where billing data was unavailable, estimated billing data based on previous months billing usage was used.

[5] Total energy usage at VicTrack operational facilities includes Spotswood archive centre and North Dynon Intermodal terminal. Only 50 per cent of energy data is assumed for North Dynon terminal, as 50 per cent of energy bill is recovered from tenants.

[6] Total energy usage for data management includes energy usage at data centres. The data has not been included in the total energy usage calculation.

Result

Energy consumption at corporate office facilities decreased five per cent from 2015-16.

Energy consumption at operational facilities increased significantly since 2015-16. Data usage at the North Dynon facility was reported for the first time in 2016-17, and is the reason why data usage appears to have increased significantly for operational facilities.

Energy consumption at data centres has decreased by 11 per cent from 2015-16. Energy consumption was much greater than corporate or operational facilities, due to the high energy demand of specialised equipment that required cooling and an uninterrupted power supply.

Targets

Energy reduction targets were established as part of the EMS.

Paper

Paper usage is based on staff located across all corporate office, operational and data centre locations (La Trobe Street, LifeLab, Dynon Terminal, 595 Collins Street, Gertrude Street, Spotswood).

Indicator	2016-17	2015-16	2014-15
Units of A4 equivalent copy paper used (reams)	2,192	2,447	3,198
Units of A4 equivalent copy paper used per FTE (reams / FTE)	6	8	10
Percentage of >80% recycled content copy paper purchased[7]	27	44	68
Percentage of 50–79% recycled content copy paper purchased	0	0	0
Percentage of 0–49% recycled content copy paper purchased	3	9	15
Percentage of sustainably certified copy paper purchased[8]	68	46	17

[7] 100% recycled paper also certified as PEFC.

[8] Excludes 100% recycled paper that is also PEFC certified. Certification may be from Carbon Neutral certified paper (adds no further greenhouse gas emissions to the environment; PEFC (programme for the endorsement of forest certification) where product is from sustainability managed forests and controlled resources; FSC (Forest Stewardship council) where produce is from forests where responsible management is undertaken.

Result

Total paper usage decreased by 22 per cent since 2015-16, and was equivalent to a reduction of two reams per FTE.

Sustainably certified paper purchased increased by 32 per cent since 2015-16.

Actions undertaken

Actions undertaken to reduce paper usage in 2016-17 included:

- preferred paper type set to 100 per cent recycled content and/or carbon neutral content at the paper supplier
- ongoing implementation of the "Follow me Print" program continued as the default printer setting on all office based computers.

Targets

Paper reduction targets were established as part of the EMS.

Transportation

VicTrack used a fleet of vehicles for its operational requirements. VicTrack's fleet comprised a mix of diesel fuelled 6 to 4-cylinder vehicles including 4WDs, and petrol fuelled standard and hybrid vehicles.

Table 3.
Operational vehicle transport

Indicator	2016-17				2015-16			
	Diesel 4wd	Diesel	Petrol	Hybrid	Diesel 4wd	Diesel	Petrol	Hybrid
Total energy consumption (MJ)	2,051,934	1,744,099	575,992	114,688	3,030,171	1,789,231	455,969	102,196
Total vehicle travel associated with entity operations (km)	496,513	449,356	168,044	52,363	672,062	347,686	98,670	37,722
Total greenhouses gas emission from vehicle fleet (t CO2-e)	143	122	39	8	212	125	31	7
Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (t CO2-e)	0.2889	0.2713	0.2310	0.1476	0.31522	0.35971	0.31147	0.18260

Table 4.
Other travel

Indicator	2016-17	2015-16	2014-15
Air Travel: Distance travelled by aeroplane (km)	85,124[9]	25,862	16,012
Employee mode of transport: Percentage of employees regularly (>75% of work attendance days) using public transport, cycling, walking, or carpooling to and from work or working from home, by locality type	86	91[10]	80

[9] Air travel included VicTrack board members, which previously had not been reported. Total no. of trips taken was 52 trips compared to 13 in 2015-16.

[10] The data for employee mode of transport represents approximately 97 per cent of employees which are located at three of VicTrack's corporate locations (1010 La Trobe Street, 595 Collins Street and LifeLab).

Result

Total kilometres travelled by operational vehicles increased by one percent since 2015-16.

Distance travelled by air increased from 2015-16 due to the increased number of interstate conference and training trips completed and site visits associated with strategic regional business opportunities.

Eighty-three percent of staff adopted some form of sustainable transport more than 75 per cent of the time, which is a nine per cent decrease from 2015-16, but a four per cent increase from 2014-15.

Actions undertaken

- All staff on the enterprise agreement were provided transport (myki) cards for personal travel
- Staff were encouraged to take public transport to meetings
- Staff were encouraged to use video conferencing in place of travel.

Targets

Transport targets were established as part of the EMS.

Waste

A waste separation system was available at corporate office locations (La Trobe Street and LifeLab units), which segregated the waste into four waste streams including cardboard and paper recycling, co-mingled recycling, landfill and green waste. Secure document paper and electronic media waste recycling was also available.

Waste segregation for 2016-17 was not reported due to corporate office consolidation, which required continual movement of office space throughout the second half of the year.

Table 5.
Waste[11]

Indicator	2015-16				2016-17			
	Cardboard / paper recycling	Co-mingled recycling	Secure document recycling	Landfill	Cardboard / paper recycling	Co-mingled recycling	Secure document recycling	Landfill
Total units of waste disposed of by destination (kg/yr)	1189	2883	3462	6416	2534	1508	2261	6333
Units of waste disposed of per FTE by destination (kg/FTE/yr)	4.9	11.8	14.2	26.3	10.7	6.4	9.5	26.7
Recycling rate (% of total waste)				54				50
Greenhouse gas emissions associated with waste disposal (t CO2-e)				7.6				9.0

[11] Data presented for 2014-2016 FYs has been extrapolated from one five-day waste audit at 1010 La Trobe Street which represented a percentage of total VicTrack employees. Green waste was included in the landfill waste stream due to contractor disposal conditions.

Result

Results were not measured for the 2016-17 financial year.

Actions undertaken

- Green waste disposal bins introduced as part of the waste segregation system
- Recycling of office based materials (Styrofoam, printer cartridges, paper)
- Separation and recycling of batteries
- Recycling of project based materials (e.g. concrete, metals)
- Introduction of contractor reporting metrics on waste.

Targets

Office based waste reduction targets were established as part of the EMS.

Water

VicTrack's main corporate office located in the Docklands is a 5-Star energy rating building, which houses 80[12] per cent of VicTrack employees. The building has a closed loop blackwater treatment plant that recycles/reuses approximately 95 per cent of water from the building. Water collected from the toilet, hand basins, showers and kitchen areas are treated by the unit and recycled back into the system. Only a small amount of reticulated water is used for showers, hand basins and kitchen areas.

Approximately 97 per cent of VicTrack employees are located within VicTrack's three corporate office spaces (Docklands, LifeLab and 595 Collins Street). At these locations water consumption is not metered separately. Water consumed is charged to building management and subsequently apportioned to each occupier within the building based on the occupied floor space. As such, the amount of water consumed by VicTrack cannot be accurately obtained at this time and has not been reported.

Greenhouse gas emissions

The emissions disclosed in this section provide a summary of VicTrack's greenhouse footprint. The data presented here has been taken from previous sections.

Table 6.
VicTrack total emissions

Indicator	2016-17	2015-16	2014-15
Total greenhouse gas emissions associated with energy use (t CO2-e) (office)	1,013	1,102	1,044
Total greenhouse gas emissions associated with energy use (t CO2-e) (operational)	186	56	40
Total greenhouse gas emissions associated with energy use (t CO2-e) (data centres)	2,653	3,083	2,989
Total greenhouse gas emissions associated with vehicle fleet (t CO2-e)	312	375	377
Total greenhouse gas emissions associated with air travel (t CO2-e)	0.2627	0.0798	0.0494
Total greenhouse gas emissions associated with waste production (t CO2-e)	Not recorded	9.0	7.6
Total greenhouse gas emissions (t CO2-e)	4,163	4,625	4,458

Result

Total reported greenhouse gas emissions for 2016-17 decreased compared to 2015-16 emissions.

[12] Number of employees located at 1010 La Trobe Street is estimated based on previous year data, and includes a percentage increase based on increased employee numbers.

Procurement

VicTrack procured goods for office and field based activities and services from contractors/consultants in 2016-17. VicTrack incorporated environmental requirements into procurement decision making by:

- including environmental requirements in tender specifications, tender schedules, and tender evaluation criteria
- developing a green procurement strategy and purchasing standards, to implement green purchasing requirements more broadly across the business
- purchasing paper with a recycled content or carbon neutrality
- establishing contractor sustainability reporting metrics
- reviewing contractor management processes.

Information and communication technology expenditure

For the 2016-17 reporting period, VicTrack had a total ICT expenditure of $4.443 million with the details shown below.

Expenditure	$'000
Business as usual ICT expenditure	3,503
Non-business as usual ICT expenditure	940
Operational expenditure	136
Capital expenditure	804

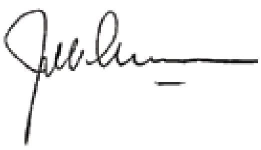
Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, which requires agencies to make datasets or databases accessible for public use unless needing to be restricted for reasons of privacy, public safety, security and law enforcement, public health and compliance with the law, VicTrack has not released, or identified for release, any dataset or database.

Risk management and insurance compliance attestation

I, John Lenders, Chair of VicTrack, certify that VicTrack has complied with the *Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes.*

The VicTrack Audit and Risk Management Committee verifies this.



John Lenders
Chair
Victorian Rail Track (VicTrack)
31 August 2017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Appendices

Appendix A

Disclosure index

VicTrack's Annual Report has been prepared in accordance with all relevant legislation and pronouncements. This index has been prepared to facilitate identification of VicTrack's compliance with statutory disclosure requirements.

Ministerial Directions

Legislation	Requirement	Page reference
Report of operations – FRD guidance		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	Page 16
FRD 22H	Purpose, functions, powers and duties	Page 16
FRD 8D	Departmental objectives, indicators and outputs	N/A
FRD 22H	Key initiatives and projects	Page 6
Management and structure		
FRD 22H	Organisational structure	Page 113
Financial and other information		
FRD 8D	Performance against output performance measures	Page 45
FRD 8D	Budget portfolio outcomes	N/A
FRD 10A	Disclosure index	Page 133
FRD 12B	Disclosure of major contracts	Page 123
FRD 15D	Executive Officer Disclosures	Page 121
FRD 22H	Employment and conduct principles	Page 119
FRD 22H	Occupational health and safety policy	Page 116
FRD 22H	Summary of the financial results for the year	Page 45
FRD 22H	Significant changes in financial position	Page 45
FRD 22H	Subsequent events	N/A
FRD 22H	Application and operation of *Freedom of Information Act 1982*	Page 123
FRD 22H	Compliance with building and maintenance provisions of *Building Act 1993*	Page 125
FRD 22H	Statement on National Competition Policy	Page 125
FRD 22H	Application and operation of the *Protected Disclosure Act 2012*	Page 126
FRD 22H	Details of consultancies over $10,000	Page 123
FRD 22H	Details of consultancies under $10,000	Page 123
FRD 22H	Disclosure of government advertising expenditure	N/A
FRD 22H	Disclosure of ICT expenditure	Page 131
FRD 22H	Statement of availability of other information	Page 124
FRD 24C	Reporting of office based environmental impacts	Page 126
FRD 25C	Local Jobs First – Victorian Industry Participation Policy disclosures	Page 123
FRD 29B	Workforce data disclosures	Page 120
SD 3.7.1	Attestation for compliance with Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes	Page 131

Financial Report

Legislation	Requirement	Page reference
SD 5.2	Specific information requirements	N/A
SD 5.2.3	Sign off requirements	Page 42
Financial statements required under Part 7 of FMA		
SD 5.2	Statement of changes in equity	Page 48
SD 5.2	Operating statement	Page 46
SD 5.2	Balance sheet	Page 47
SD 5.2	Cash flow statement	Page 50
Other disclosures as required by FRDs in notes to the financial statements*		
FRD 9B	Departmental disclosure of administered assets and liabilities by activity	N/A
FRD 11A	Disclosure of Ex gratia expenses	N/A
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 21C	Disclosures of responsible persons, Executive Officers and other personnel (contractors with significant management responsibilities) in the financial report	Page 99
FRD 103F	Non-financial physical assets	Page 68
FRD 110A	Cash flow statements	Page 50
FRD 112D	Defined benefit superannuation obligations	Page 59

*Note: References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure

Legislation

Freedom of Information Act 1982	Page 123
Building Act 1993	Page 125
Protected Disclosure Act 2012	Page 126
Victorian Industry Participation Policy Act 2003	Page 123
Financial Management Act 1994	N/A

Appendix B

Board members

VicTrack Directors are appointed on the basis of their ability to contribute to meeting VicTrack's objectives. Each Director has wide experience with other boards and organisations, and together they bring a diverse range of knowledge and business expertise to VicTrack. At year end, the Board comprised eight independent, non-executive Directors – John Lenders (Chair), Yehudi Blacher (Deputy Chair), Paula Allen, Brian Bulluss, Collette Burke, Geraldine Gray, David Hunter and Michael Trumble.

John Lenders
Chair

John was appointed as Director and Chair of VicTrack in April 2016 and has more than a decade of experience in senior roles in public office. He is Chair of the Remuneration & Human Resources Committee. John was elected to State Parliament in September 1999. After joining the Cabinet in February 2002, he held a range of portfolios including Industrial Relations, Consumer Affairs, Finance, ICT, Major Projects, WorkCover and Education. He was the Victorian Treasurer from 2007 to 2010 and was responsible for delivering the State Budget, and providing strategic advice to government on its economic, financial and budgetary policies.

Yehudi Blacher PSM, BA (Hons), MA, FIPA
Deputy Chair

Yehudi was appointed a Director and Deputy Chair of VicTrack in April 2012. He is Chair of the Projects & Freight Committee. Yehudi brings extensive public sector experience to the Board, including land-use planning and strategic management. He was the Secretary of the Victorian Department of Planning and Community Development from 2002 to 2011. He also held Deputy Secretary level positions in the Department of Premier and Cabinet and the Department of Human Services.

From 1991 to 1996 he was head of the Victorian Office of Local Government. He is a Fellow of the IPAA (Victoria) and a Professorial Fellow at the University of Melbourne. Yehudi was appointed as the inaugural Chair of the Port of Hastings Development Authority in 2012 and has been a member of the Monash University Council since 2008.

Paula Allen CFA FCA
Director

Paula has extensive experience spanning more than two decades across strategy, finance, governance, and technology, principally around highly regulated markets. During her career, she has held senior positions that have helped businesses to deliver better outcomes, including Bankers Trust, Colonial Group, and LUCRF Super. Companies she led have been recognised through listings in BRW Top 500 companies in Australia and the 'Rising Star' award in the superannuation industry. Currently Paula manages her own consulting firm, working both locally and internationally. Paula was appointed to the Board effective 1 April 2016.

Brian Bulluss
Director

Brian Bulluss was appointed a Director of VicTrack in September 2011. He is Chair of the Telecommunications Committee. Brian is a Procurement Project Manager with CPA Australia, the professional association for accountants. His expertise is in procurement, IT, telecommunications and property. Brian was formerly a National Project Manager for Telstra. His education background includes Facilities Management (University of Melbourne) and Commercial Property Management (Macquarie University).

Collette Burke B.E (Civil), M.Eng.Sci, PhD, FIEAust, GAICD
Director

Collette has spent over 24 years in the design and construction sector with major contractors (Leightons, Thiess and John Holland) as well as being a co-founder of boutique engineering consultancy and education firm, Exner Group. Collette is also an internationally acknowledged researcher and authority on risk management and the delivery of value for money in major infrastructure projects. Through her experience, Collette has been exposed to major telecommunications projects, rail projects and road and rail signalling installations, which have significant and valuable synergies with VicTrack. Collette joined VicTrack's Board in July 2016.

Geraldine Gray BA, LLB, LLM
Director

Geraldine has spent some 30 years in the legal industry, practising as a solicitor then a barrister in NSW, Hong Kong and Victoria. She has been at the Victorian Bar since 2004 and brings with her broad and invaluable legal experience in the commercial, contractual and construction sectors. Geraldine is a director of the Australasian Leukaemia & Lymphoma Group Ltd. She was appointed to the VicTrack Board in July 2016.

David Hunter FIE Aust, Dip BA, GAICD
Director

David Hunter was appointed a director of VicTrack in September 2011 and is Chair of the Audit & Risk Management Committee. David is a civil engineer specialising in strategic planning for physical and social infrastructure. He has more than 40 years' experience as a civil engineer, company director and manager, including 17 years in local government and 25 years in private practice. David has held senior management and directorship roles, including Director of Coomes Consulting Group and Director and Executive General Manager, Market Development at Downer EDI Consulting (CPG). Since retiring from full-time employment, David has established a part-time consultancy providing strategic advice to key clients.

Michael Trumble BCom, LLB
Director

Michael was appointed a Director of VicTrack in December 2012. He is Chair of the Property, Environment & Heritage Committee. Michael is a leading commercial property lawyer and is the principal of the firm Michael Trumble Legal. He has a wealth of experience in property law in development, construction and management, commercial leasing, purchasing and sales, joint ventures and other related transactions. He has worked on projects ranging from major office building developments to shopping centres and public infrastructure projects. In particular, his public infrastructure experience includes Melbourne Airport project, the Commonwealth Games Village, the Melbourne Convention and Exhibition Centre project and various public transport projects.

Note: On 1 July 2016 two new Directors to the Board were appointed.

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