



# Annual Report 2020-21

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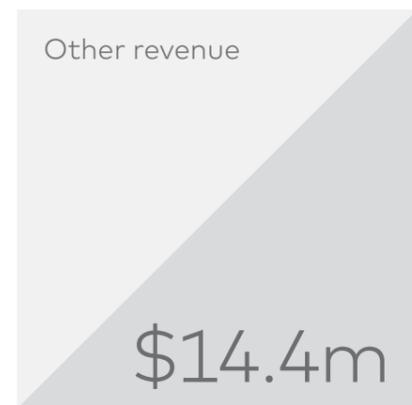
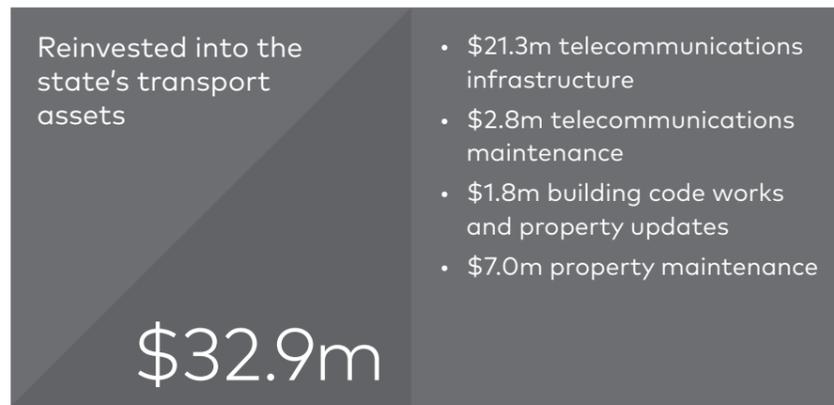
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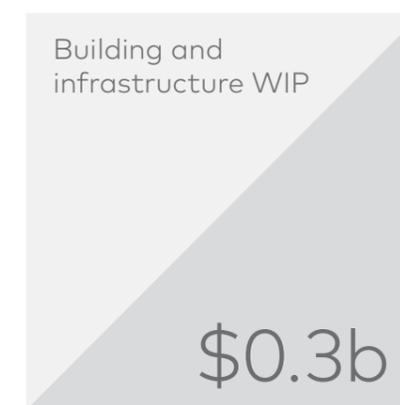
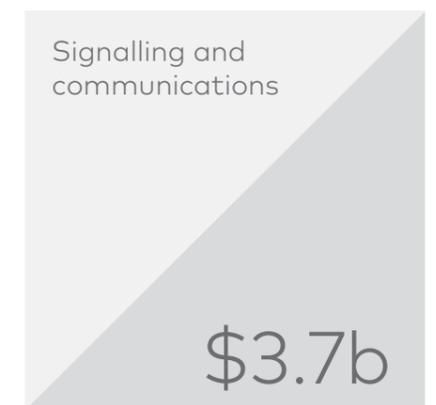
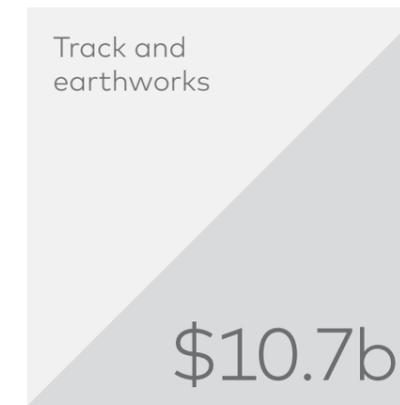
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## 2020-21 performance



## Our asset portfolio



# 2020–21 Highlights

## Introduction

In 2020–21 VicTrack has maintained its position as an important partner in Victoria's transport sector. We have contributed our expertise to a range of government initiatives from the Big Build to helping to preserve the state's rail history, maintained critical telecommunications infrastructure and launched a new commercial joint venture to better monitor the structural health of bridges.

## Preserving our rail history

Preserving our rail history – a blueprint for the future was launched in March 2021. VicTrack put together the Tourist and Heritage Railway Blueprint in partnership with transport, tourism and heritage stakeholders. It sets out a way forward for the Tourist and Heritage (T&H) railway sector to flourish into the future while continuing to preserve the state's railway history. Under the blueprint, the Victorian Government allocated \$1 million in funding to 15 groups to help them bounce back from the impacts of the COVID-19 pandemic. (page 28)

## Network performance targets exceeded

VicTrack's vital telecommunications network performed above expectations in 2020–21. With telecommunications infrastructure managed remotely for the first time, network reliability exceeded expectation and achieved 99.88 per cent against a KPI target of 99.5 per cent across our transport operator connections network. (page 37)

## Transport and Government Secure Network (TGSN)

Work on our biggest ever project – the Transport and Government Secure Network (TGSN) – has forged ahead. Network design is complete and the rollout of new infrastructure is well underway. At the end of the financial year, 80 per cent of the Optical Transport Network technology (OTN), which forms the backbone of TGSN, is complete with the project on track to complete OTN construction in late 2021. Rollout of the new infrastructure continues. (page 40)

## Level Crossing Removal Project

VicTrack has continued its role as an important partner in the Victorian Government's Level Crossing Removal Project (LXRP), providing essential telecommunications services at each project site that enable the crossing to be removed and reinstall Operational Control System (OCS) equipment, often as part of a new station build. Over the past financial year, we supported the removal of level crossings across metropolitan Melbourne. (page 45)

## Eloque successfully launched

The Victorian Government in partnership with Xerox, is delivering new technology that will revolutionise the management and maintenance of bridge assets, through a joint venture called Eloque. Through the installation of advanced fibre-optic sensing technology on rail and road bridges, the technology enables the remote monitoring of asset structural health in real time, allowing for early detection and addressing of issues to keep traffic and trains moving. In May 2021, the Government announced that it will invest \$50 million to roll out the new Eloque technology on priority bridges across Victoria.

The technology is the result of the VicTrack-led FiBridge project that saw successful trials carried out through a partnership between VicTrack and Xerox's Palo Alto Research Center (PARC). VicTrack's Chief Executive has been appointed to the dual role of inaugural Eloque Chief Executive Officer to drive its establishment. (page 57)

## Community use of vacant rail buildings

VicTrack is restoring 10 more of Victoria's historic station buildings through the Victorian Government's Community Use of Vacant Rail Buildings Program after \$9 million funding was announced in the 2020–21 State Budget. Under the program, disused station buildings in regional towns, some of which have been vacant for decades, are restored so they can be used by local community groups. All works are scheduled to be delivered by the end of 2022. (page 66)

## Car Parks for Commuters program

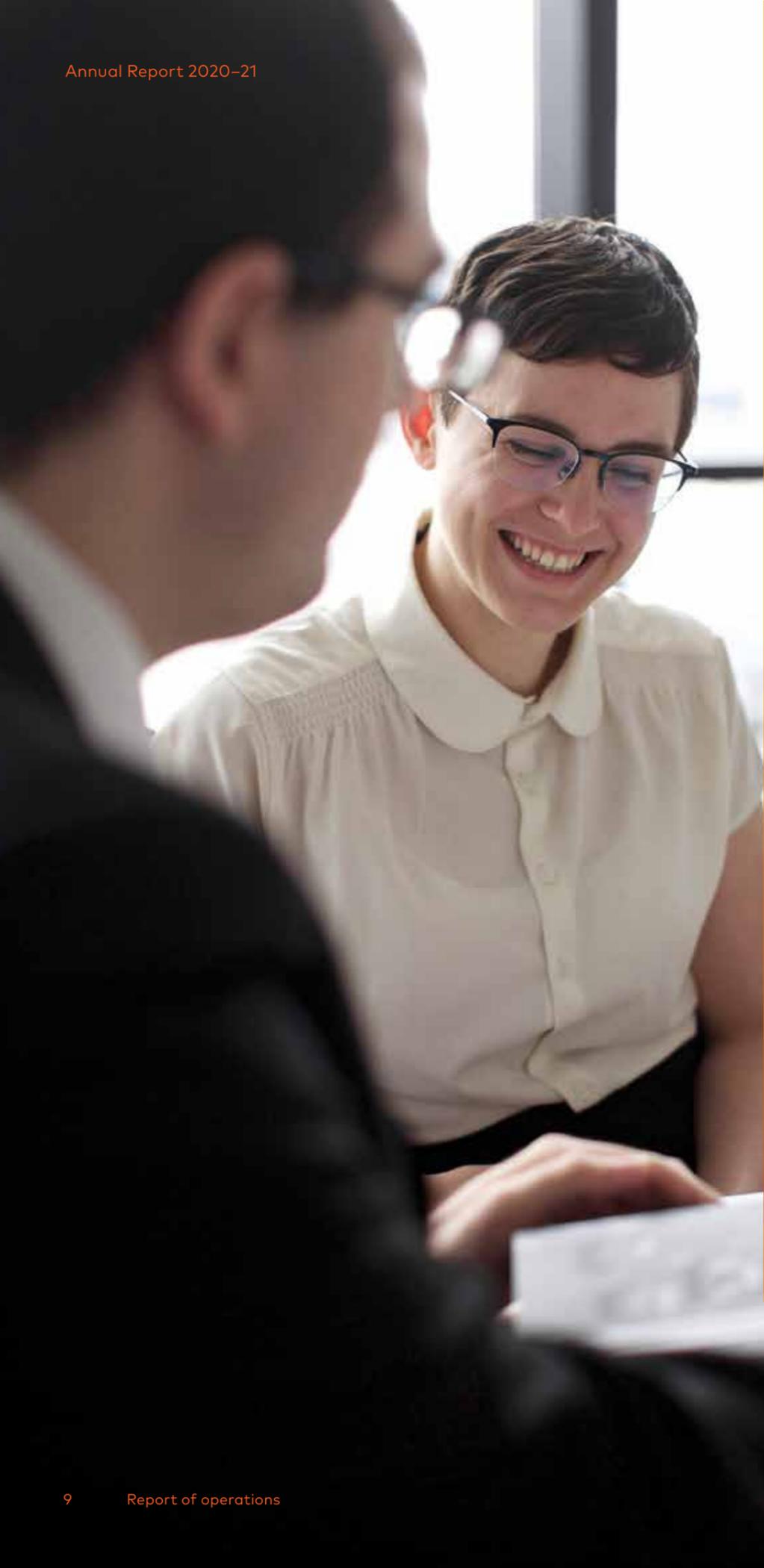
As part of the Victorian Government's Car Parks for Commuters program, VicTrack is building new and upgraded car parks at stations across the state. The projects also include delivering new bicycle parking and installing lighting and CCTV for safety. In 2020–21 we completed car park projects at Epping and Sandown Park, with construction underway at Craigieburn and planning for the multi-level car park at Belgrave well progressed. (page 51)



# Report of operations



Image: Passenger information displays at Carrum Station



## Year in review

Dated: 16 September 2021

### Responsible body's declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Victorian Rail Track (VicTrack) Annual Report for the year ending 30 June 2021.

Geraldine Gray  
Chair, VicTrack Board

Image: VicTrack employees

# 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.

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

Whether we're planning and managing the use of transport land, upgrading the telecommunication network or partnering on major infrastructure projects, our job is to ensure the state's assets continue to serve Victoria now and well into the future.

## Our vision

As a part of the transport portfolio, we share a common vision as defined in the *Transport Integration Act 2010*:

"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.

## Our purpose

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

## Our mission

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

## Our values

We operate according to Victorian public sector values. In addition to these, VicTrack promotes the values of:

### Professional

We make decisions with integrity and respect. By behaving professionally and ethically we win the trust of our colleagues, stakeholders and customers.

### Collaborate

We collaborate to get things done efficiently and effectively. We have greater opportunity through leveraging our collective knowledge, building stronger bonds and respecting each other.

### Achieve

We perform our roles with integrity and skill. We hold ourselves accountable for delivering what is needed and own both our successes and mistakes.

### Innovate

We embrace all new ideas that bring about change that adds value. We become more efficient, effective and competitive.

Image: FiBridge technology being installed in a suburban road



# Chair's report



## Geraldine Gray

The past year has been a challenging one for VicTrack, as it has been for many organisations; the COVID-19 pandemic has made an indelible mark on all aspects of business and life. VicTrack has felt the effects of the pandemic both financially and operationally. Despite this, our dedicated people have worked together to progress important initiatives and put in place measures to see VicTrack emerge from the pandemic in a strong position.

Over the past financial year, we forged ahead with the rollout of the Transport and Government Secure Network (TGSN). This vital upgrade of our telecommunications network will ensure it meets the growing needs of the travelling public and our transport partners well into the future. A significant project milestone was reached in March 2021 when 80 per cent of the Optical Transport Network Technology (OTN) that forms the backbone of the TGSN was completed on schedule. The OTN rollout will be completed in 2021–22.

The TGSN will also form an important part of VicTrack's post-COVID recovery. It will aid the development of commercial telecommunications products and services that can boost VicTrack's revenue and allow us to reinvest in the state's transport assets. With a growing uptake of remote and blended working, there is a greater need than ever before for fast, reliable telecommunications infrastructure.

A significant amount of VicTrack's revenue is drawn from commercial leases in our property portfolio. The pandemic has hit this part of our business particularly hard. In a result similar to the previous year, VicTrack has achieved a revenue of 8.74 per cent lower than budgeted. This even further highlights the need to generate new streams of income.

Maintaining financial sustainability has to be at the forefront of everything we do. The pandemic has shown us that traditional sources of revenue can be volatile when the unexpected happens. We need to reduce dependence on property sales and income from commercial leases. The TGSN will help with this by supporting the development of new commercial telecommunications. Advancing our innovation agenda will also help boost revenue from new sources.

For several years we have pursued innovation as a way to drive revenue. The commercialisation of our FiBridge technology and the formation of Eloque has been a highlight of the past year and demonstrates what can be achieved through innovation. We look forward to seeing the expansion of Eloque over the coming years.

To support the ongoing progress of VicTrack's innovation agenda, we have made some interim changes to our management. I want to thank Chief Executive Campbell Rose for his ongoing leadership of VicTrack. I also want to thank newly appointed Deputy Chief Executive Chris Olds for stepping up to assume more responsibilities. Chris will oversee VicTrack's day-to-day operations allowing Campbell to focus on leading Eloque and progressing other key innovation projects.

On the matter of our financial reports, we continue to have a difference of opinion with the Victorian Auditor General's Office (VAGO) on the classification of our operating leases, which resulted in the adverse qualification in 2019-20 for VicTrack and its consolidated entities. VicTrack's position as lessor in relation to these leases as part of the 2020-21 financial statements has been informed by professional accounting advice, and is unchanged from last year's position.

A big thank you is owed to the staff of VicTrack for their efforts over the past year, which has proven to be challenging both at work and on a personal level. The majority of staff worked remotely for most of the year and adapted quickly to that change in environment. Many juggled the extra responsibilities of caring for others and home schooling during the numerous COVID-19 lockdowns. An amazing effort.

At the same time, teams working to maintain our telecommunications assets, as well as those delivering projects across the organisation, applied extra precautions and additional COVID safe measures to make sure our critical services were retained, and projects kept moving.

Thanks to the dedication and resilience of the leadership and staff, we were able to keep the organisation running largely at business as usual, not only delivering on our commitments to government and our transport partners but also advancing major initiatives.

Our people are very important to us. Following the impacts of COVID-19, VicTrack will continue to place a significant emphasis of the health and wellbeing of staff, particularly as we move towards establishing our new ways of working.

Geraldine Gray  
Chair

# Chief Executive's report



## Campbell A. Rose AM

The last financial year has seen VicTrack work through a demanding and uncertain time. However, in the face of financial and operational challenges posed by COVID-19 during 2020–21, there have been many positives for VicTrack. I'm proud of the way our organisation rallied to continue to do our vital work throughout the past year and also forged ahead with some significant developments.

We continued our role as an essential partner in Victoria's transport sector, contributing our expertise to major transport projects including the Level Crossing Removal Project (LXRP), projects being delivered under the Regional Rail Revival program, Car Parks for Commuters and the Metro Tunnel to name but a few.

A major highlight for the year was the beginning of a joint venture between the Victorian Government and Xerox to help bring critical assets to life through the power of data. The launch of Eloque in May 2021 evolved from a VicTrack-led trial of structural health monitoring technology on a sample of bridges in Victoria, called FiBridge. While the technology is currently being used on bridges, it has the potential to be used on any structure that needs maintenance – including roads, multi-storey car parks, tunnels and ports.

Following the successful establishment of Eloque, the State Budget for 2020–21 allocated \$50 million to roll out the technology – now known as Eloque Bridge – on several hundred priority bridges in the transport portfolio across Victoria. We are extremely proud to see what began as a VicTrack innovation project to improve the way we monitor and maintain bridges in our asset portfolio grow into this new enterprise. We are excited about the future prospects of Eloque over the coming years.

I am pleased to have been appointed the inaugural CEO of Eloque in addition to my role as VicTrack Chief Executive. We expect Eloque to expand rapidly. VicTrack also has a number of other exciting innovation projects in the pipeline. In line with our Ministerial Statement of Expectations, I will be focusing on our innovation agenda and working to bring new projects to fruition.

To support me in this work, VicTrack has created the new interim role of Deputy Chief Executive. This arrangement, now in effect, means that we can best support the ongoing and critical day-to-day operation of VicTrack at the same time as pursuing a strong innovation agenda to stand us in good stead to recover well from the impacts of COVID-19.

An important part of VicTrack's work is to invest funds generated back into Victorian communities through investment in programs and through partnerships. There have been several pleasing developments on this front in the past year.

The State Budget allocated \$9 million to restore a further 10 buildings under the Community Use of Vacant Rail Buildings Program. Announcements have already been made about restorations to be carried out in 2022 on historic railway station buildings in Lethbridge and Lal Lal with more to come. It's great to see these buildings restored to their former glory and providing a valued space for the community.

Initiatives outlined in the *Preserving our rail history – a blueprint for future*, the government's strategy to support the Tourist and Heritage (T&H) sector, were progressed this year. A new voice for the sector, the T&H Sector Coordinating Board

(SCB), was established to help organisations share information and support each other. The first official SCB meeting was held in April. A number of working groups comprising the SCB members and representatives of VicTrack were established. Government funding was allocated to help operators get back up and running after being forced to stop operating for much of 2020.

We have also progressed the relocation of retired trams under the Retired Trams Strategy. We reached an important milestone this year when the 50th tram to be allocated under our hugely popular 2018 expression of interest left Newport Workshops. Work to relocate more trams will continue in the coming financial year.

In relation to the matter of the VAGO adverse qualification of our financial reports, we have maintained our historic position which is supported by professional accounting advice. Acknowledging the differences of opinion between VAGO and our organisation, we are continuing to work with the Department of Transport to better define the roles and responsibilities between the owner, manager and operators while at the same time continuing to progress improvements in the way assets are transferred and recorded at VicTrack.

We have achieved a lot in the last year in challenging times. It is testament to the professionalism of the team I lead and the ongoing support of our Board. I thank members of our Board, advisory committees, our senior leadership and staff for their continued dedication. I look forward with confidence to 2021–22 and beyond.

A handwritten signature in black ink that reads "Camp Rose". The signature is written in a cursive style and is positioned above a horizontal line that extends to the right.

Campbell A. Rose AM  
Chief Executive

# Manner of establishment and responsible Ministers

## Transport Integration Act 2010

VicTrack was established under the *Transport Integration Act 2010* (Vic). The Act provides the vision for an integrated and sustainable transport system in Victoria. It outlines objectives and decision-making principles the transport portfolio must consider when planning, developing and operating Victoria's transport system.

These include:

- putting the user at the centre of all we do
- creating a whole of transport system approach incorporating our road, rail, active transport and freight networks
- integrating the planning, management and coordination of Victoria's transport system
- planning the future of Victoria's transport system and ensuring it grows as the community, economy and technology changes.

The Act sets out the objectives for each transport sector agency. For VicTrack, these objectives include:

- to act as the custodial owner of the state's transport related land, infrastructure and assets consistent with the vision and the transport system objectives
- to ensure that the state's transport-related land, infrastructure and assets are developed and used:
  - primarily to support the transport system
  - for other purposes which support government policy
  - only for commercial gain if the development or use will not compromise the current or future transport system.

## Responsible Ministers

VicTrack reports to the Treasurer, the Minister for Transport Infrastructure, and the Minister for Public Transport.

## Our core functions

Our core functions include:

- delivering telecommunications infrastructure and services that form the backbone of the transport network from signalling, driver communications, public information displays and myki ticketing
- managing land set aside for transport purposes, including the development and sale of land no longer required for transport to optimise its use
- generating income through land sales and commercial leases that is reinvested into the state's transport system
- providing project management, engineering and construction services to deliver a range of government transport projects from Victoria's Big Build to station and car park upgrades
- managing transport facilities and assets, including the open access Dynon Rail Freight Terminal, heritage buildings and environmental preservation.

## Victoria's integrated transport portfolio

VicTrack is part of Victoria's transport portfolio, led by the Department of Transport (DoT), Victoria.

The vision of the transport portfolio is to deliver an integrated and sustainable transport system that contributes to an inclusive, prosperous, and environmentally responsible state.

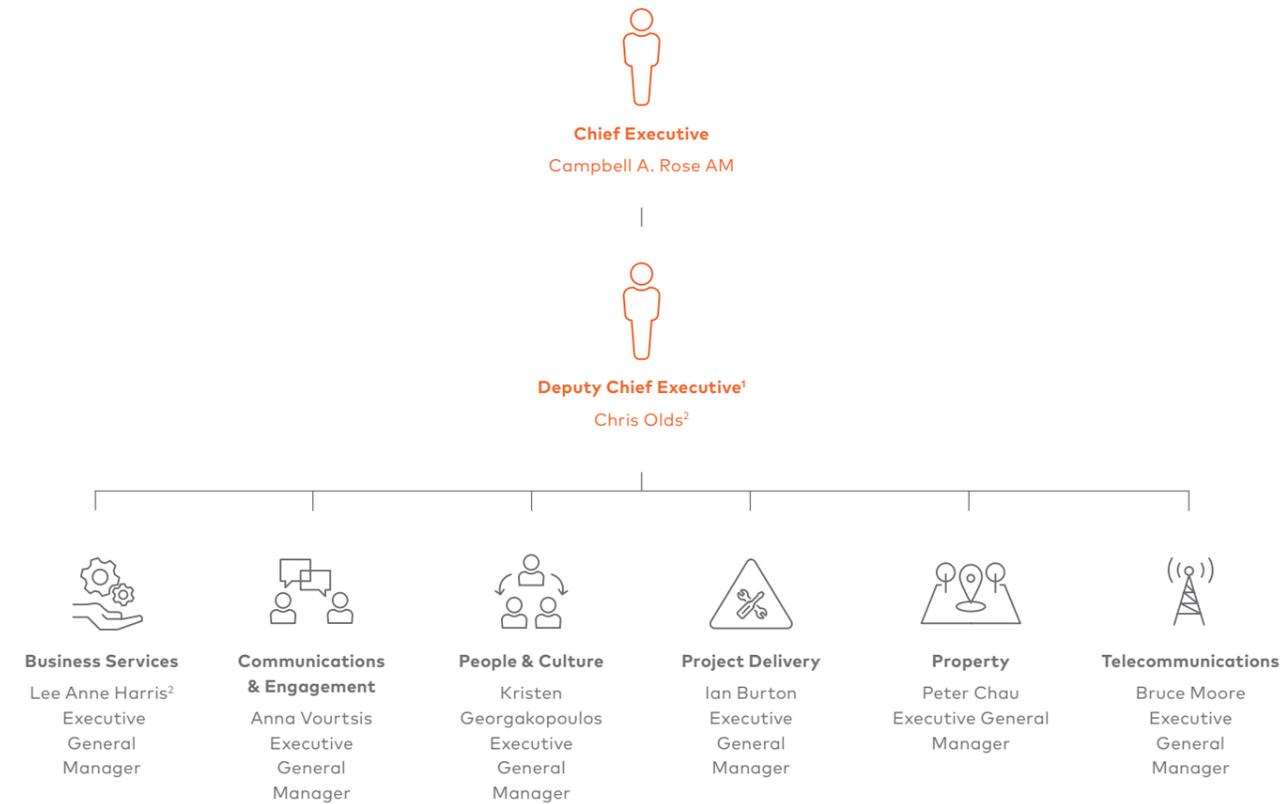
Together, entities in the transport portfolio deliver simple, safe, connected journeys, and are working together to shape the transport system so that it meets the needs of the people that use it now and in the future.

While VicTrack is an independent statutory authority, it is a key contributor of initiatives of the Department of Transport and the transport network, so Victorians can stay connected to jobs, education and each other.

Image: Tram stop in Melbourne CBD



# Organisational structure



<sup>1</sup> Interim role  
<sup>2</sup> Seconded to role

VicTrack's operational structure supports the roles and functions we fulfil. Our business is made up of three specialist delivery groups – Property, Telecommunications, and Project Delivery – supported by Business Services and the Office of the Chief Executive. Each delivery group contributes to asset management and service delivery.

## Office of the Chief Executive

Consisting of People & Culture, Communications & Engagement and the Company Secretariat, the group is responsible for ensuring our Board, people, key stakeholders and transport partners are informed and engaged in everything we do across our business.

## Business Services

This group provides the daily support needed to run VicTrack's operations and is responsible for a wide range of specialist functions, including finance and legal services, that enable our business to be accountable, transparent and operate effectively.

## Project Delivery

Our Project Delivery Group provides specialised project delivery services supporting the delivery of critical transport projects for the Victorian Government and transport operators. Our services include project management and project delivery in both civil engineering and telecommunications projects, as well as safety and technical services.

## Property

As owners of Victoria's rail transport land and assets, we work with transport operators and government agencies to ensure transport land and assets are managed to deliver on the state government's policy objectives. With large quantities of land and associated air rights that are not required for active transport purposes, we work to drive revenues from these assets to enable reinvestment in the transport system. These activities include land sales and acquisitions, property development, and commercial leasing.

## 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 are 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 and safety for the transport system and its users.



Image: VicTrack employees in a data centre



## COVID-19 impact on business

The COVID-19 pandemic created global challenges with threats to health, wellbeing and the economy. VicTrack has been impacted by COVID-19 both financially and operationally. We have, however, continued to operate the business as usual since the onset of the pandemic in early 2020. We established a VicTrack Pandemic Coordination Group to monitor, liaise and coordinate all VicTrack activity associated with preparing for, responding to and recovering from the impact of the pandemic. The group is connected into pandemic planning undertaken by the Department of Health and DoT.

Recognising the health and safety risks posed by COVID-19, office-based staff were transitioned to work remotely in March 2020. We continue to manage returning our workforce to the office in line with Victorian Government advice and public health settings.

Throughout the pandemic we have maintained a risk and resilience oriented approach, remaining connected to government-authorized channels and information on COVID-19 to ensure we receive timely, relevant and accurate information on COVID-19. We are continuing to provide updates to staff as the situation with the pandemic evolves.

In line with the Victorian Government's response to the COVID-19 pandemic, VicTrack is managing its return to work plan with a blended approach to office-based and remote working. With this blended approach likely to stay in place for some time, there will be an ongoing need to have systems in place to maintain and strengthen business resilience. These measures will need to ensure that staff have the information and resources (including IT resources) they need to continue working productively and safely during a time of disruption to normal operations.

Overall, the underlying business performance is healthy, with sustainability measures identified during COVID-19 continuing to strengthen our operating result. The organisation is continually reviewing our overhead costs and operating models, to drive further efficiencies in the business both in good practice and in readiness for any future revenue investment initiatives. We have taken a prudent approach to managing our costs through this period.

Following the impacts of COVID-19, VicTrack will continue to place a significant emphasis of the health and wellbeing of our staff, particularly as we move towards establishing our new ways of working.

Any relevant specific details about how COVID-19 has impacted our business in the 2020–21 financial year are weaved through the commentary in the following pages of this annual report.

Image: FiBridge being installed

## Managing our assets

As owners of rail transport land and assets, we work to make the most of under-used land, buildings and other assets no longer required for transport to achieve maximum value for the state and the community. In 2020-21 we have progressed property developments, continued efforts to rehome retired trams and set the scene for the state's tourist and heritage railway operators to thrive into the future. We've worked both independently and with community groups to care for transport land with significant environmental and heritage values.



Image: Telecommunications network maintenance

## Property development program

VicTrack holds a large and diverse property portfolio that stretches from central Melbourne to regional Victoria. We are one of the state's largest titled landowners and we carefully manage our assets to optimise their use and value, releasing under-used transport land for redevelopment.

We create liveable and well-connected communities, providing new homes and jobs near public transport. We enhance station precincts to improve customer experience and passenger usage. We help to deliver broader government objectives and in doing so, generate revenue to sustain VicTrack's ongoing support of the transport network.

### Jewell Station

Next to Jewell Station in Brunswick, the development of over 120 new apartments and five new shops is scheduled for completion in 2021 by VicTrack's development partner, Neometro. Complimented by an enhanced station plaza with planting and landscaping, the properties help provide new homes located close to multiple public transport options and the shops and cafes of Sydney Road.

The heritage station building will be reinstated to its former glory following extensive restoration works, commencing in the last quarter of 2021.

### Hampton Quarter

We are transforming the area around Hampton Station into a landmark development that enhances this sought-after bayside precinct for both commuters and the community.

We have partnered with epc.Pacific, Pace and the Department of Health and Human Services to create Hampton Quarter – a mixed-use development consisting of four boutique buildings with 159 apartments, ground-floor shops and 18 new social housing units.

The new development will integrate with Hampton village via a new public plaza adjoined by shops, which together will enhance the experience for those using the station, making it both more vibrant and accessible.

Enabling works for the project are now underway with construction of the first building on the site scheduled to commence in early 2022.

### Gardiner Station

Construction commenced at the start of 2021 on an integrated development of 118 apartments and five new shops fronting onto a new public plaza at Gardiner Station.

Following the removal of the level crossing and the completion of the new station buildings at Burke Road, Glen Iris in 2018, VicTrack has worked in partnership with the Level Crossing Removal Project and developer Dealcorp to bring to fruition this eight-storey development, which is scheduled for completion in mid-2022.

### Gardiner Nursery

A development of 15 town houses, designed for VicTrack by Melbourne architecture practice Carr, is proposed on a site near Gardiner Station in Glen Iris. The three-level, four-bedroom homes are well located for both access to rail, tram cycle and road networks.

The submission of a planning permit application in mid-2021 will, subject to approval, see construction commence on this project in early 2023.

### Treasury Square

The opportunity to realise a development of around 140,000 sqm of premium real estate located to the south of the Melbourne CBD's exclusive 'Paris End' attracted international interest when it was launched in 2019. The sale of this land is being progressed.



Image: Completed development at Jewell Station

## Old Melbourne Market

In April 2021, VicTrack released the Old Melbourne Market (OMM) request for proposal (RFP) to key respondents to a 2019 expression of interest. The RFP closed at the end of the financial year. Evaluation of the RFP responses and lease negotiations will begin later in 2021.

The OMM site is identified in the Victorian Freight Plan 2018 as a site to be used for port and freight-related activities. Areas in the site will be allocated to truck marshalling, container storage, empty container parking, truck stop and urban consolidation centre.

## Retired Trams Strategy

In 2018 VicTrack conducted an expression of interest (EOI) process to find new homes in the community for 134 retired trams – most of them stored at the Newport Workshops in varying states of repair – under our Retired Trams Strategy.

During 2020–21, 20 more trams were delivered to recipients who applied for a tram through the EOI. As at the end of the financial year, 52 of the trams offered through the expression of interest have gone to their new homes, with a further nine being returned to their private owners or going to museums. Trams will continue to be rehomed in the coming year to destinations within Victoria and beyond.

## Vintage Rolling Stock Strategy

Following on from the development of the Vintage Rolling Stock Strategy in 2019–20, *Preserving our rail history – a blueprint for the future* was launched in March 2021. VicTrack put the blueprint together in partnership with transport, tourism and heritage stakeholders.

The blueprint sets out a way forward for the Tourist and Heritage (T&H) railway sector to flourish into the future while continuing to preserve the state's railway history.

The blueprint responds to the challenges T&H operators face in light of significant investments by the Victorian Government to modernise Victoria's passenger and freight rail networks.

It includes actions the government, in partnership with the sector, will take to support organisations with expanding their volunteer bases, increasing visitors, improving coordination between groups, and gaining access to equipment, resources and rolling stock.

In the past financial year, a new voice for the sector, the T&H Sector Coordinating Board (SCB) was established as one of the first steps in implementing the blueprint. John Crofts was appointed as the Co-Chair and President of the 11-member board. The board will help T&H organisations share information and support each other through the changes occurring in the system.

The Victorian Government has provided funding to T&H rail operators to help them bounce back from the impacts of the COVID-19 pandemic. Following an assessment process by VicTrack and DoT, \$1 million has been allocated across 15 groups.

The funding will help the groups recover, so they can focus on expanding their operations and attracting visitors onto the many heritage train and tram services throughout Victoria.



< Image: Retired trams on their way to new homes  
v Image: Tourist and heritage rail operator DERMPAV

# Environmental management

Environmental management is an important part of VicTrack's operations, as the asset owner of one of Victoria's largest titled land holdings. It is one of our main non-commercial activities.



Image: VicTrack employees conduct a site visit



## Contaminated Land Program

VicTrack completed 40 contaminated land investigations including preliminary site investigations, data gap assessments, environmental site assessments and investigations in 2020–21. The investigations assess the potential for environmental and 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.

### Contaminated Land Hazard Assessment and Mapping Program

VicTrack invested significant time in 2020–21 preparing for the transition to the new *Environment Protection Amendment Act 2017*, effective from 1 July 2021. One of the key activities to assist transition to the new environmental legislation was the creation of a new contaminated land risk ranking tool, the Contaminated Land Hazard Assessment and Mapping Program (CHAMP).

The new tool enables contamination risks on VicTrack sites to be assessed in today's legislative environment and assists VicTrack to prioritise and manage its contaminated land.

The CHAMP program/dashboard was developed and tested in 2020–21.

### South Dynon management

Following completion of significant groundwater remediation works in 2018–19, investigations concluded that further groundwater remediation is not considered practicable while the site is an operational rail yard.

Ongoing monitoring of groundwater plumes continued in 2020–21 to confirm groundwater contamination plumes remain stable. The groundwater quality management plan was also updated to reflect changes in the groundwater monitoring well network during the West Gate Tunnel Project occupation. The site environmental management plan continues to be implemented.

### North Geelong management

Ongoing monitoring of groundwater plumes continued in 2020–21 to confirm groundwater contamination plumes remain stable. Investigations in 2019–20 concluded that natural biodegradation was the most suitable remediation approach to address legacy contamination (dense non-aqueous phase liquid) within groundwater, associated with the former gasworks that operated at the site. The site environmental management plan continues to be implemented at the site.

### Groundwater assessment

VicTrack continued groundwater assessment works in 2020–21 to assess the nature, extent and stability of groundwater contamination at sites across Victoria.

Many of VicTrack's sites require ongoing groundwater monitoring to ensure risks from contamination are managed. Groundwater contamination at these sites is a result of poor historical uses.

Routine groundwater monitoring works were completed at approximately seven sites in 2020–21. Ongoing groundwater monitoring was determined by expert contaminated land consultants to be no longer warranted at some of these sites due to consistently stable or decreasing groundwater conditions or impacts that do not warrant further sampling based on risk to human health and environment.

### Sensitive Sites Program

VicTrack continued implementing its Sensitive Sites Program, which assesses sites used for a sensitive purpose, such as residential, child care, or playground, to understand if the land is impacted from former potentially contaminating activities, and to ascertain whether the land is suitable to be used for that sensitive use.

The program is now largely complete, with the implementation of the ongoing site-specific environmental management plans.

In 2020–21 VicTrack worked with expert contaminated land consultants to identify sensitive sites requiring further management controls (if any). VicTrack undertook a soil assessment at one residential site and installed a physical barrier at another residential site in 2020–21.

### High-risk leased sites (Environmental Assurance and Compliance Assessment) program

VicTrack continued the implementation of its Environmental Assurance and Compliance Assessment Program (EACA) in 2020–21 to review the environmental management practices of high-risk tenants who have potential to pollute VicTrack land and determine their compliance with contractual and legislative environmental obligations.

Following the inspection of 60 sites in 2019–20, 45 non-compliance notices were issued to tenants in 2020–21 identifying non-compliances ranging from minor to major and requesting action by tenants.

A further 44 sites were inspected in 2020–21 and 44 EACA assessments completed, which resulted in the identification of 40 sites with non-compliances ranging from minor to major, and issue of non-compliance notices to tenants.

Tenant action plans from the program were also reviewed in 2020–21 to ensure non-compliances were rectified. This activity will continue to ensure risks and non-compliances are closed out.

## Major investigations and Statutory Notices

In 2020–21 VicTrack had three Clean Up Notices from the Environment Protection Authority Victoria (EPA); one ongoing for the Horsham precinct, one to assess Coldstream waste soil and one was recently issued to address clean-up of waste at Brooklyn.

### Horsham

At Horsham, VicTrack completed active groundwater remediation works and undertook an assessment of groundwater remediation practicability.

Other works completed in 2020–21 included annual groundwater monitoring, a natural source zone depletion study to assess natural degradation of the plume and soil vapour assessment to determine the best approach for future soil remediation works, as well as annual compliance reporting, as part of an ongoing Clean Up Notice, Remediation Work Plan and Groundwater Quality Management Plan requirements.

### Coldstream

The Coldstream Clean Up Notice was issued in early 2021. VicTrack's environmental consultant completed soil sampling and characterisation works and recommended soils were suitable and safe to remain in place with the implementation of an Environmental Management Plan (EMP). The Clean Up Notice was revoked by the EPA in May 2021.

### Brooklyn

The Brooklyn site was a former quarry and has historically been filled with various waste and then levelled to the ground surface. In addition, illegal stockpiling and depositing of waste soils, asbestos material and construction waste has occurred and approximately 13,000m<sup>3</sup> of waste is present on the surface of the site. VicTrack has undertaken several investigations in previous years and implemented management plans at the site, including a management plan for the safe management of asbestos at the site. In June 2021, EPA served VicTrack with a Clean Up Notice requiring VicTrack to prepare an auditor verified Clean Up Plan to clean up the illegally deposited waste at the site.

## Asbestos program

### Survey and removal programs

Asbestos risk is managed in accordance with current Occupational Health and Safety (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 2020–21, asbestos surveys were completed on 137 buildings at over 93 locations as part of VicTrack's five-year rolling asbestos survey program to manage asbestos risk.

VicTrack completed asbestos removal and remediation works at 14 sites across Victoria in 2020–21, including significant cooperation with tenants to perform asbestos contaminated dust clean up works at three sites. Key projects included Byrneside, Queenscliff, Macaulay, Dynon and South Dynon. Works at Dynon involved complete removal of all asbestos-containing material, including large rooves, for the preparation or the demolition of three buildings. The rooves of these three buildings were part of an extensive investigation into asbestos rooves across VicTrack's property asset portfolio.

### Asbestos rooves investigation

Recent Division 5 surveys identified sites where asbestos roofing material was deteriorating. Hygienist advice suggested that rooves containing asbestos were all constructed within a similar timeframe, and as such, they are likely to deteriorate at similar rates. An investigation was commissioned in 2020–21 to identify and assess rooves that were made from asbestos-containing material.

The investigation surveyed 58 buildings and identified 13 which remain with rooves constructed of asbestos-containing material. Of the 13, three were removed in preparation for demolition of the buildings at Dynon. VicTrack also commenced works in partnership with one of its tenants to remove a significant asbestos containing roof at the Melbourne Market site.

The report produced as part of the project provides a strategy for the removal of the remaining rooves.

### Asbestos data management

VicTrack continues to use and refine a web-based mobile application to capture and monitor asbestos and hazardous material information in assets. A Fulcrum mobile application is used in the field for the collection of asbestos survey information of our assets. The Conquest asset management system, VicTrack's central asset management system for property assets, is used as the central database to hold VicTrack's asbestos and hazardous material information. Data handling between the Fulcrum mobile application and the Conquest asset management system is continuously monitored and assessed to identify opportunities for improved accuracy of data held within Conquest.

### Implementation of site-specific management measures

In 2020–21, VicTrack implemented site-specific asbestos management plan requirements at Newport Workshops, Spotswood, Queenscliff, Maryborough and Byrneside. A new site-specific asbestos management plan was developed for the Brooklyn site. Implementation of site-specific asbestos management plans predominantly involves annual asbestos inspections, update of site-specific registers and the asbestos management plan. VicTrack also developed and implemented a new Asbestos Management Plan (AMP) at Byrneside associated with asbestos remediation works.

## Land management — Natural resource management

### Biodiversity management

VicTrack continued to invest its resources into understanding biodiversity on VicTrack land. VicTrack completed biodiversity assessments at three sites across the state to understand significant flora and fauna values on VicTrack land and put in place measures for ongoing management.

### Biodiversity mapping tool

VicTrack continues to use and maintain its biodiversity mapping tool. The tool maps known and modelled biodiversity values on VicTrack land and depicts these areas on VicTrack's in-house mapping system. The tool assists VicTrack with identifying biodiversity and managing risks to significant biodiversity values on sites where works are planned. A number of upgrades were made in 2020–21, including two updates of the data and integration of this data into VicTrack's in-house geographic information system, RailMap.

### Cultural heritage mapping tool

VicTrack continues to use and maintain its cultural heritage mapping tool. The tool maps known and modelled cultural heritage values on VicTrack land and depicts these areas on VicTrack's in-house mapping system. The tool assists VicTrack with identifying heritage and managing risks to significant cultural heritage values on sites where works are planned. A number of upgrades were made in 2020–21, including two updates of the data and integration of this data into VicTrack's in-house geographic information system, RailMap.

### Caroline Springs Biodiversity Protection Area

Commonwealth protected biodiversity values, listed under the *Environment Protection and Biodiversity Conservation Act* (EPBC Act), including the Striped Legless Lizard and Spiny Rice-flower, continued to be managed by VicTrack in 2020–21. The works are conducted on behalf of DoT under a Memorandum of Understanding, in accordance with year seven of the Commonwealth-approved Conservation Management Plan and Offset Management Plan. The site is also required to be managed under a Trust for Nature conservation covenant.

Fence repairs, biomass control, rabbit control, litter removal, biodiversity surveys and monitoring, and annual reporting were completed in 2020–21, and will continue for another four years. A fall in Spiny Rice-flower population was observed and contingency measures were undertaken by germinating collected seeds. Successful germinates will be transplanted into the site in 2021–22.

VicTrack is working closely with environmental and land management consultants, as well as DoT, V/Line and Trust for Nature to ensure the protection and management of significant vegetation.

### South Morang Biodiversity Protection Area

Commonwealth protected vegetation (listed under the EPBC Act), including the Matted Flax-lily and Grassy Eucalypt Woodland, continued to be managed by VicTrack in 2020–21, on behalf of DoT under a Memorandum of Understanding and long-term management plan.

Fence repairs, biomass control, rabbit control, litter removal, vegetation monitoring and annual reporting were completed in 2020–21. The 10-year management requirements of the South Morang Grassy Eucalypt Woodland Plan and the translocation for the Matted Flax Plan were completed in May 2020. VicTrack will continue to maintain vegetation values through weed control, litter removal and rabbit control.

### Sunshine (Tottenham) Biodiversity Protection Area

Areas of Sunshine vegetation support Matters of National Environmental Significance (listed under the EPBC Act), including the Natural Temperate Grassland of the Victorian Volcanic Plain community, Western Basalt Plains Grassland, Matted Flax-lily and habitat for the Golden Sun Moth and Striped Legless Lizard. Significant weed infestations listed under the *Catchment and Land Protection Act* were also identified, which require ongoing management.

VicTrack continued to work closely with land management consultants, as well as council and the Department of Environment, Land, Water and Planning (DELWP) in 2020–21 to ensure the protection and management of significant vegetation. Land management works completed in 2020–21 included a controlled burn, weed control, litter removal and rabbit control. These works continue to result in significant improvements to vegetation values and weed reduction.

Image: Monitoring protected vegetation in the South Morang Biodiversity Protection Area



## Vital telecommunications infrastructure

VicTrack's telecommunications infrastructure forms the backbone of Victoria's rail transport services including the myki ticketing system, driver communications, public information displays and signalling. The telecommunications network is classified as 'vital critical infrastructure' in Victoria, essential to keeping the state's transport system moving safely and reliably. In 2020–21 we made significant progress with upgrading the network, took steps to replace legacy systems, invested in improved systems for managing our assets, and streamlined customer quotes and service orders. Despite remote working arrangements brought about by the COVID-19 pandemic, network reliability targets were exceeded.



Image: Telecommunications employees on site

## Arwin Intelligent Data Platform deployed

VicTrack's telecommunications asset management processes have matured to accommodate the physical development and modernisation of our network brought about by the Transport and Government Secure Network (TGSN).

The development and deployment of the Arwin Intelligent Data Management Platform with our asset data has allowed us to:

- integrate and harmonise the management of multiple, disparate networks, systems, applications and data platforms
- use this integration to improve the way we measure and monitor our network asset health
- improve the way we meet changing government requirements and industry standards, such as the Victorian Digital Asset Strategy, Digital Engineering, and the Asset Management Accountability Framework.

With the deployment of Arwin in 2020–21, we now have an operational asset database capable of providing data-driven, evidence-based asset information to drive management decisions and initiatives. The platform also highlights any data quality issues in our systems, helping us to make any necessary improvements.

Arwin Intelligent Data Platform is a data aggregation platform that uses our existing asset data without having to reconfigure it. It is also allowing us to aggregate data from any of our source systems and interface with any VicTrack asset management tool.

Revised asset management plans for each network platform will be linked to performance and asset data reporting within Arwin with a five-year outlook.

## Future proof architecture chosen for upgrade

VicTrack put in considerable effort this past financial year to ensure it selected the latest technology and architectural design to replace legacy network infrastructure as part of the TGSN program.

The decision was made to deploy very high throughput routers at the cores, with aggregation and internet gateway routers deployed strategically around the

state. Architecture has been simplified by eliminating overlays and new routers deployed across the network.

It is expected the ongoing upgrades will lead to improved network reliability and scalability, as well as simplified network management and operations.

## Transport and Government Secure Network

VicTrack is investing \$69 million to transform our transport telecommunications network to ensure it keeps pace with Victoria's rail transport needs, while enabling high-speed digital telecommunications for government and other customers. The Transport and Government Secure Network (TGSN) is our largest ever telecommunications project.

The TGSN is our fixed statewide telecommunications network. It enables us to connect hundreds of railway stations and other sites within the rail corridor across Victoria. When complete it will support the rollout of High Capacity Signalling technology and deliver increased data capacity and ultra-high-speed data transfers. Post COVID-19, the TGSN can help support our economic recovery, as we transition to new ways of working and living that require a fast and secure network.

After project initiation and construction began in early 2020, the TGSN project has forged ahead in 2020–21. Network design is complete and the rollout of new infrastructure is well underway.

Optical Transport Network technology (OTN) is forming the backbone of the network. OTN uses dense wavelength multiplexing, a process for digitally wrapping multiple services for different clients along a single optical fibre, instead of one service on one fibre. OTN is also fast, reliable, scalable and secure.

MPLS – a routing technique that directs data from one node to another using short path labels instead of long network addresses – will route information on the TGSN. It is designed to simplify and improve performance and ensure reliable connections. It will bring better performance, lower total cost of ownership, a greater flexibility to accommodate new technologies, better network security and network resilience. It will be underpinned by our OTN.

At the end of the financial year, 80 per cent of the OTN construction is complete with the project on track to complete OTN construction in late 2021. TGSN has extended our IP network footprint with 50 per cent of our sites now TGSN enabled. Wholesale telecommunications customers have been successfully migrated from the legacy network to TGSN.

The rollout of the new infrastructure and migration of remaining services will continue over the coming year.



## Quotes and product orders streamlined with Telflow

VicTrack has deployed Telflow, a centralised platform to streamline quoting and fulfilment of telecommunications product orders. Telflow is a cloud-based, product-catalogue driven configure, price and quote tool. Telflow enables VicTrack to generate quotes and proposals that are timely and consistent, while tracking all service delivery milestones and activities.

We implemented Telflow for our wholesale government customers in October 2020, including a full product catalogue and all fulfilment workflows. This ensured we had a single system for customer orders, which will improve our service delivery.

Work to expand Telflow to transport customers continues with a full product catalogue aligning to our transport customers' Transport Service Agreements scheduled to be delivered in late 2021.

## Network performance targets exceeded

For the first time in 2020–21, our telecommunications infrastructure was managed remotely. Despite this significant operational change brought about by COVID-19 restrictions, the network was successfully restored and maintained from remote locations. Network reliability exceeded expectation and achieved 99.88 per cent against a KPI target of 99.5 per cent across our transport operator connections network.

VicTrack's Telecommunications Operations team managed incidents and service restorations to minimise and mitigate any adverse effects to public transport services related to our network with service restoration being a key driver. A KPI to meet 95 per cent of agreed service level targets was met with 95.3 per cent achieved. A total of 3,435 incidents were logged and resolved in the 12-month period to 30 June 2021.

All network changes to the live telecommunications network were planned and executed to facilitate network continuity and minimise service outages. The Telecommunications Operations team approved

and scheduled 2,229 change requests during the past financial year, 98.71 per cent of which were successfully delivered, bettering the KPI target of 95 per cent.

VicTrack's Network Management Centre (NMC) is the first point of contact for our customers to report services incidents and other requests. The NMC operates 24/7 to ensure that our network is reliable, continuous and safe. All incoming requests, security events and service faults are logged and managed to ensure they are efficiently actioned and managed.

The NMC handled 72,771 calls from our customers and the public while maintaining a very low abandonment rate of 2.72 per cent. During the same period, the NMC logged 53,865 security events.

One of our major focus activities is preventative maintenance to ensure our Telecommunications Infrastructure Network is serviced and maintained to deliver optimum efficiency and minimise unexpected network outages. Ninety per cent of the forecast preventative maintenance was complete against a target of 85 per cent.

Image: VicTrack staff

## Supporting Victoria's Big Build

Victoria's Big Build is delivering \$80 billion in rail and road transport projects. VicTrack is an important partner in bringing many of the Big Build projects to fruition. In 2020–21, VicTrack continued working with the Major Transport Infrastructure Authority to support delivery of the Level Crossing Removal Project, Metro Tunnel and Regional Rail Revival. We continue to provide ongoing support across the Big Build including extending, relocating and upgrading the VicTrack telecommunications network, and providing critical land management and environmental approvals and advice to reduce the impact on VicTrack-owned land affected by the projects.



Image: VicTrack project staff on site during night works

## Level Crossing Removal Project

VicTrack has continued its role as an important partner in the Victorian Government's Level Crossing Removal Project (LXRP) that will remove 85 of Melbourne's most dangerous and congested level crossings by 2025. We provide essential telecommunications services at each project site that enable the crossing to be removed and reinstall Operational Control System (OCS) equipment, often as part of a new station build.

Our services to the LXRP include:

- telecommunications backbone relocation – repositioning VicTrack copper and fibre network equipment out of the way of other structural and civil engineering work at the site
- signalling telecommunication services – providing services that allow all field equipment to communicate and allow control centres to monitor and control the new signalling
- OCS services – providing telecommunications services to stations that power Passenger Information Displays (PIDs), customer help points, security services, CCTV, phone services, and myki ticketing and allows communication with control centres and other stations through our network.

Over the past financial year, we worked to support the removal of level crossings across metropolitan Melbourne. Key project milestones were achieved on these projects in 2020–21.

### Bell-Preston

VicTrack undertook early telecommunications works to enable critical construction including relocating telecommunications infrastructure and commissioning of network equipment at a number of stations along the Mernda Line. We commissioned temporary station facilities and services at Bell and Preston stations to allow Metro Trains Melbourne (MTM) to continue to operate passenger trains from these stations. New signalling services at the new Bell and Preston stations will be performed in 2022.

### Bell-Moreland

VicTrack relocated telecommunications infrastructure to enable construction works. At the same time, we established additional fibre telecommunications infrastructure to support the new signalling system between Anstey and Merlynston and managed signalling services to provide signalling redundancy, and later assisted the commissioning of new stations at Coburg and Moreland.

### Glenroy

In early January 2021, VicTrack supported work to demolish Platform 1 at Glenroy Station.

### Werribee Street

VicTrack enabled critical construction works by relocating VicTrack's fibre backbone infrastructure. The work was completed in July 2020.

### Cranbourne Line Upgrade

VicTrack undertook early works to enable temporary relocation of fibre backbone and signalling infrastructure. The work was completed in September 2020. Fit out of a new aggregation hut commenced.

### Hallam Road

VicTrack undertook early works to enable relocation of VicTrack's fibre and copper backbone infrastructure into a new final conduit route. The work was completed in April 2021.

## Metro Tunnel

The Metro Tunnel is a major infrastructure project that will see construction of twin nine-kilometre rail tunnels and five new underground stations. When completed the Metro Tunnel will allow more trains to run more often. As the project progresses, VicTrack's role includes extending and upgrading the VicTrack telecommunications network.

We're providing our telecommunications expertise during the rollout of the high-capacity signalling, and we are supporting upgrades to track, signalling and overhead line equipment outside of the core tunnel area.

In 2020–21, VicTrack has been working on a project to deliver what will be Australia's first brownfield High Capacity Signalling to be based on Communications Based Train Control (CBTC). The work involves the design development, installation and commissioning of signalling, communications and related systems required on the new Sunshine to Dandenong Line.

We provided our expertise to further tunnel and underground station communication and radio designs, which are in late or final stages of completion.

## Sunbury Line Upgrade

The \$2.1 billion Sunbury Line Upgrade will see various upgrades within the rail corridor extending from Sunbury to Footscray. These upgrades are needed to take full advantage of the extra capacity created by the Metro Tunnel and allow more modern trains to run on the Sunbury Line.

VicTrack has supported early works to enable critical construction including enabling works at Watergardens to relocate VicTrack's fibre backbone and signalling infrastructure, which was completed in October 2020. Final works are scheduled to be completed in 2021.

## Regional Rail Revival

The Australian and Victorian governments have invested more than \$4 billion in the Regional Rail Revival program, which is upgrading every regional passenger rail line in Victoria. VicTrack has been a partner on delivering several of these major infrastructure projects, including upgrades to the Ballarat and Warrnambool lines.

### Warrnambool Line Upgrade

VicTrack has been engaged to perform works related to signalling communication (fibre network), train radio communication systems and operational control systems to help boost reliability and deliver a fifth weekday return service for passengers in Victoria's south west.

In the last financial year, VicTrack assisted the installation and commissioning of Optical Transport Network (OTN) equipment, which saw the first services within VicTrack to be migrated to this platform successfully.

Backbone fibre relocations have also been completed to enable on-site construction.

### Ballarat Line Upgrade

VicTrack was engaged by the Ballarat Line Upgrade to support upgrades to existing VicTrack telecommunications infrastructure, signalling networks, stations and radio networks to enable the introduction of 135 new train services between Ballarat and Melbourne across the project.

VicTrack has worked closely with the Ballarat Line Upgrade since 2017 to enable the realisation of these commuter benefits.

The project was completed at the end of January 2021, and included the final commissioning activities to support of the additional services as part of a timetable update on the Ballarat Line to service the growing communities in the region.

VicTrack has supported the Ballarat Line Upgrade by commissioning signalling between Caroline Springs and Millbrook, delivering new radio systems, commissioning services at the new Cobblebank Station, the rebuilt Rockbank Station and at existing stations at Bacchus Marsh, Ballan and Wendouree to support the introduction of second platforms and track.

## Bendigo Metro 3

Three new stations are being built in Greater Bendigo on behalf of Rail Projects Victoria by VicTrack, as part of the Bendigo and Echuca Line Upgrade.

VicTrack appointed Symal Infrastructure as the contractor to deliver the works, which was announced in May 2021.

The new stations will be constructed in communities outside of Bendigo at Goornong, Huntly and Raywood. Each new station will include a single platform and car parking, with lighting, seating and shelter.

Construction is underway at Goornong and Huntly, with Goornong Station targeted for completion by the end of 2021. Huntly Station is targeted for completion in mid-2022, while Raywood on the Swan Hill Line is targeted for completion in late 2022.

## Electronic train orders

In the last financial year VicTrack has contributed to a project that will deliver a modernised electronic train order (ETO) system from Bendigo to Swan Hill and Echuca, which will enable additional weekday return services to Epsom and Eaglehawk, and triple the number of weekday return services to Echuca.

Current train operations from North Bendigo Junction to Eaglehawk and Epsom are controlled using paper-based manual train orders.

The new train order system will modernise the train control system currently in use to ensure services can safely run more often.

It will also serve as a pilot program for potential rollout across other parts of Victoria's regional rail network, allowing more services in the future and particularly benefitting long-distance services.

VicTrack is working together with V/Line and Rail Projects Victoria to introduce ETOs to replace Manual Train Orders as part of the Bendigo and Echuca Line Upgrade.



Image: Bendigo Metro 3 crossing upgrade

# Delivering projects for government

VicTrack is an important partner in delivering many of the Victorian Government's transport projects. In the past financial year, we have contributed our expertise to building new and upgraded car parks, improving train station facilities, boosting safety at crossings and helping to preserve our tramway history.



Image: Melbourne skyline from William Bonak Bridge Melbourne train network

## Car Parks for Commuters Program

As part of the Victorian Government's Car Parks for Commuters program, VicTrack is building new and upgraded car parks at stations across the state. The projects also include delivering new bicycle parking and installing lighting and CCTV for safety.

In 2020–21, VicTrack worked on the following sites:

### Epping

Construction started in November 2020 and was completed in April 2021. Two new car parks were built – one on Wedge Street and one on Campbell Street. The works delivered 75 extra car parking spaces, with 64 spaces in the new car parks and the number of spaces in the existing commuter car park increased by 11. Two new accessible spaces were also built.

### Sandown Park

This project delivered 600 new and upgraded parking spaces and was completed in May 2021. A new car park with 116 spaces was built along Lightwood Road, west of the station. The gravel area on the corner of Lightwood Road and Lawn Road previously used for parking was upgraded, and now has 470 standard spaces and 14 accessible spaces near the station entrance.

### Craigieburn

Work on this site started in July 2020 and was nearing completion at the end of the 2020–21 financial year. A new car park has been delivered with more than 745 spaces along the eastern edge of the Hume Highway, directly east of the station, and will be linked to the station by a new footpath. A pedestrian crossing has been installed on Potter Street so people can safely walk between the station and the car park.

### Morwell

Work on the car park at Morwell is complete. There are now 53 extra parking spaces at the station, including two new accessible spaces near the station entrance.

The new car park off Princes Drive also has lighting and CCTV, so people can feel safer when they're using the car park early in the morning or at night.

The increased car parking will help people access public transport in Gippsland more easily and will help support the improvements being delivered through the Gippsland Line Upgrade.

### Belgrave

Planning works continued for the multi-deck car park, which will have 640 spaces, increasing the number of spaces at the station by 470. A planning permit for the car park was granted by Yarra Ranges Council, the tender process to find a contractor to construct the car park was completed, and we were in the final stages of appointing a contractor at the end of financial year.

### Kyneton, Riddells Creek and Gisborne

We carried out online community engagement on the draft concepts for new and upgraded car parking at these three stations on the Bendigo Line.

### North Shore and Beaufort

We carried out early planning and design works on new car parking at these stations.

## Bendigo Station Upgrade

The Bendigo Station building upgrade is part of the Victorian Government's \$15.8 million upgrade of Bendigo and Eaglehawk stations. The station building upgrade is complete. The refreshed station was open to public use in November 2020. Facilities include new accessible ticketing offices, increased waiting room seating, improved toilet amenities and a new Changing Places facility.

The project, which was awarded to a local contractor, was completed under challenging conditions during the COVID-19 lockdown period. VicTrack's team worked closely with the contractor and V/Line staff to maintain the station's operation throughout the construction period.

## Bendigo Tramways expansion

VicTrack is working with Regional Development Victoria and the City of Greater Bendigo to expand Bendigo Tramways' workshops and depot.

The project's objectives are to:

- expand the Bendigo Tramways storage capacity to accommodate an additional 30 W-Class trams and other heritage rolling stock from both VicTrack's Newport Workshops and the former Bendigo gas works site
- upgrade the Bendigo Tramways workshop to meet current and future demand for heritage tram and vehicle restoration services
- enhance the visitor experience at Bendigo Tramways and embed it as a key part of Central Victoria's tourism, heritage and cultural offerings, generating local economic and employment activity.

On completion, the expanded facilities will support the growth of local manufacturing jobs as part of the resurgence of heavy manufacturing in Bendigo, and opportunities for skills development in the sector.

Following project planning work carried out in the 2019–20 financial year; the project moved into the design phase in 2020–21. The community has been consulted on a concept design. Construction is expected to start in 2022.

Image: Train station car park

## Ballarat Station bus interchange

VicTrack is delivering Ballarat Station's new bus interchange as part of the redevelopment of the Ballarat Station precinct.

The bus interchange will bring local buses closer to the station, making it easier for passengers to access the station precinct, and making it safer to change between transport modes. The new bus interchange will also improve comfort and safety for station users with pedestrian crossings, CCTV, lighting, shelters and seating.

During 2020–21 further investigation and design development at the site identified critical signal infrastructure, which clashed with the intended location of the bus interchange. This infrastructure has now been relocated outside the bus interchange footprint, including signal cutover activities undertaken during the Ballarat Line Upgrade occupation.

A design and construct contract was awarded in November 2020 and construction started in April 2021. The interchange is expected to be completed later in 2021.

## Statewide level crossing upgrade program

The Statewide Level Crossing Upgrade Program is a rolling annual program of level crossing control upgrades overseen by the Victorian Railway Crossing Safety Steering Committee (VRCSSC) via its Railway Crossing Safety Delivery Group (RCSDG) subcommittee.

Sites being upgraded have been assessed as high risk based on risk modelling and incident history. They are rail–road level crossings and rail–pedestrian level crossings, which are often close to stations where train movements are complex and mixed between express and stopping trains, or on high speed sections with passive controls.

VicTrack carries out upgrade works at crossings under contract to DoT with the aim to improve safety for pedestrians and vehicles.

In 2020–21, VicTrack successfully progressed full pedestrian crossing upgrades on the Old Calder Highway at Diggers Rest and the up end of the platform at Beaconsfield.

At both sites, design work was completed. A contract for the construction was awarded in 2020–21 with construction works to commence in the 2021–22 financial year.

Construction work will include the installation of electromagnetic gates at pedestrian crossings. These gates prevent pedestrians entering the crossing while a train is approaching, boosting safety. Building work is ongoing and is expected to be completed later in 2021.

Image: Ballarat Station





## National ALCAM migration

The Australian Level Crossing Assessment Model (ALCAM) is a risk assessment tool used across Australia and New Zealand to assess and create a risk profile of level crossings. The information generated by ALCAM informs decision-making about how upgrades to road and pedestrian level crossings are prioritised across Victoria.

For a number of years VicTrack has been the custodian nationally for the administration of the Level Crossing Management (LXM) system.

In late 2019 it was decided that the ALCAM custodianship would be transferred from VicTrack to the Rail Industry Safety Standards Board (RISSB). The transition was planned to take place during the 2020–21 financial year.

Our main objective during the last financial year was to maintain ALCAM system operational capability while custodianship was migrated. The work involved teams from across VicTrack and extensive stakeholder engagement with the National ALCAM Committee Governance Working Group (NACGWG) to secure the outcome.

Limited NAC commissioned projects were active during the transition period as a means of controlling risk – a new project for ALCAM road model validation; works on third-party connectivity bulk data exchange, and software changes following the handbook review.

The Rail Crossing Technical Group chaired by VicTrack continued and expanded the established program of works to support the gathering of data to support ALCAM through five related data capture projects. Four were established surveying and counts projects, with one further taking a new approach in data analytics – applying third-party data to compliment more traditional methods of data capture.

The transition was successfully completed in June 2021 with the Level Crossing Management System Administrator function and all operational maintenance and support functions transferred to RISSB.

## Rail crossing technical services

The Rail Crossing Technical Group (RCTG) comprises representatives from the rail industry who consider new technical-based initiatives and developments related to safety at level and pedestrian rail crossings. The group delivers projects and services according to instructions from the Rail Crossing Safety Delivery Group (RCSDG). Project funding, including staff resources, is provided by DoT. In 2020–21, for the last time, it was the chosen mechanism for DoT to provide the Victorian contribution to the National Australian Level Crossing Assessment Model (ALCAM) Committee. VicTrack chairs the RCTG and plays a key role in delivery of its projects and services.

At the start of the 2020–21 financial year, there were nine project streams in the plan, a balance of ongoing legacy projects and new initiatives to be identified and endorsed by the RCTG membership. During the year a number of new projects were proposed and endorsed by the RCTG.

COVID-19 impacted the early stages of the program of works by preventing commencement of site surveys, and road and pedestrian counts due to movement restrictions. Lifting of restrictions permitted these projects to be reactivated and completed before the end of the financial year. Successful projects undertaken in 2020–21 included:

- the completion of an innovative enforcement camera trial
- surveys and counts completed for an ALCAM data refresh, despite difficult COVID-19 movement restrictions
- Safety Interface Agreement (SIA) discovery phase for user requirement definitions for a new SIA platform
- cost-effective level crossing developments: two projects associated with the Tourist and Heritage sector
- roads data analysis: investigating correlations from third-party data sources to complement ALCAM data updates.

Image: VicTrack staff onsite

# Embracing innovation

VicTrack's innovation agenda aims to drive efficiency in our operations and generate new streams of revenue, particularly through harnessing new technology and opportunities to maximise the value of our asset portfolio.

## Evolution of FiBridge to Eloque

Following the successful VicTrack-led trial of FiBridge structural health monitoring technology, in 2020–21 the Victorian Government partnered with Xerox to establish a new joint venture known as Eloque to commercialise the technology.

The technology, now known as Eloque Bridge, uses hair-thin fibre optic connected sensors attached to a bridge to accurately measure and estimate structural strain, thermal response, bending, loads, vibration, and corrosion, which are all measures of structural health. Data collected from the sensors is processed using advanced analytics and delivered directly to the bridge owners and operators remotely via an interactive dashboard. Data can be seen in real time so the bridge manager can monitor whether a bridge has structural problems, has been damaged or needs repair. It also allows maintenance budgets to be better prioritised and targeted to the bridges that need it the most, making maintenance more efficient and less time consuming.

Eloque was launched in May 2020 and the Victorian Government is investing \$50 million to roll out the technology on priority bridges across Victoria. The technology will be progressively rolled out on priority bridges, particularly those that regularly deal with heavy loads and are at the most risk of deterioration.

## Rail corridor decking

In late 2019 VicTrack embarked on a research and development project which is exploring the construction of decking over the rail corridor using advanced composite materials. Rail corridor decking could provide an innovative solution to unlock the untapped potential of the public transport corridor for air rights development.

Using advanced composite materials could bring many benefits, including reducing the cost and weight of construction materials, their environmental impact, and cutting production and construction timelines. VicTrack has partnered with a private sector company that is a leader in the manufacturing of advanced composite materials to develop a proof of concept trial in Victoria.

The project is funded by VicTrack.

## Advanced Aerial Mobility

VicTrack has been working to support the possible future introduction of an Advanced Aerial Mobility (AAM) industry in Victoria that would take advantage of our extensive asset base of rail land and infrastructure.

VicTrack's land and property assets in the rail corridor could support the rollout of AAM by offering locations such as vertiports or maintenance facilities for Electric Vertical Take-off and Landing (eVTOL) vehicles, defined air space routes along established transport corridors and connections to other modes of transport. Our telecommunications network could provide continuous ground contact and control.

In 2020–21, we have been working with other Victorian Government agencies and departments on the development of the AAM Industry Enablement Strategy in Victoria. We conducted a request for information process with around 50 industry participants to understand how the market values VicTrack assets in terms of AAM and to what scale VicTrack could participate in the industry. Leading business consulting firms were engaged to assess responses.

Towards the end of the financial year, the project was transitioned to Invest Victoria.

The introduction of an AAM sector in the state, using VicTrack's assets, may be a potential revenue stream in future and assist in its post-COVID economic recovery. We will continue to support Invest Victoria and other agencies to progress the industry enabling strategy.

Image: FiBridge installation



# Commercial activities

VicTrack works to boost the value of our asset portfolio and return revenue to Victoria's transport sector. In 2020-21 we transacted land sales, generated income through our commercial lease portfolio and progressed a suite of commercial telecommunications products.

## Billboards and car parks

The VicTrack commercial portfolio including both billboards and car parks was impacted as a result of the ongoing effects of COVID-19. We have seen some positive return to performance following from relaxation of COVID-19 restrictions and expect this trend to continue.

## 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 various infrastructure projects, as well as supporting state government policy and initiatives. During 2020-21 the land sales team achieved its budget by transacting some 16 properties totalling \$4.9 million, with significant sales in Sunshine and several in regional Victoria.

## Commercial leases

VicTrack's leased portfolio comprises some 1,500 agreements, across the retail, commercial and freight and logistics sectors. The 2020-21 year actual of \$24.9 million fell short of the \$27.2 million budget by 8.5 per cent.

## Telecommunications commercial products

VicTrack provides a range of discretionary telecommunications products and services to transport partners, state government agencies and to other telecommunications agencies.

Over the past financial year, we have continued to develop our product suite to align to our core business and ensure we maximise the value of our telecommunications assets.

We have finalised a product strategy in line with our product management framework for all customer segments including transport, government and wholesale. Our telecommunications products have been benchmarked against external products to ensure our product pricing aligns to the market and is competitive. Pricing and service level agreements have also been developed.

A product catalogue for the wholesale and government market sectors has been implemented in Telflow, VicTrack's new configure, price and quote tool. A standardised product catalogue for our transport customers is being developed and will be implemented in Telflow later in 2021.

Work has begun on our future product catalogue aligning to the TGSN. Wavelength and internet products have been completed and our focus is now on finalising data products.

Having a standardised product set will enable the business to focus on our strengths, provide clarity around our offerings to our customers and ultimately simplify our business.

> Image: Glenferrie Road station precinct  
▼ Image: Flinders Street billboard



## Reinvesting in communities

VicTrack invests revenue from commercial activities back into the community. In 2020-21 we continued our support of Landcare and the Keep Victoria Beautiful Stationeers and made under-used buildings and land available for community use.



Image: Newstead Station building in use as a community arts and business hub

## Environmental program (Landcare)

VicTrack's partnership with Landcare Australia has continued to help local Landcare groups achieve significant environmental and community outcomes for their local areas. The groups funded through the partnership work on projects to manage and improve the environmental values on VicTrack sites across the state.

In 2020–21, VicTrack funded eight projects. The on-ground activities undertaken through these projects included the protection of native flora and fauna species, weed control, habitat restoration, and ecological burns.

Awareness raising within local communities of the importance of natural resource management works, and the control of pest species was also undertaken, as well as engagement with Traditional Owners.

VicTrack's support of these projects reflects its ongoing commitment to support local communities and protect the environmental value of its assets.

### **Bellarine Rail Trail (Bellarine Catchment Network, Drysdale)**

Work on the Bellarine Rail Trail has been ongoing since 2010. The 17-kilometre stretch of railway corridor between Drysdale Station and Queenscliff Station contains patches of remnant bushland and significant flora. The site also includes areas of cultural heritage.

During 2020–21, Bellarine Catchment Network were supported by the DELWP Working for Victoria Team, who assisted with revegetation and weeding tasks. Work undertaken also included awareness raising of the project through 'weed walks and talks', planting days and school environment days.

The network also implemented more quantitative monitoring techniques in biodiversity hotspots utilising Grassy Eucalypt Woodland transect monitoring, as developed by Corangamite Catchment Management Authority.

### **The Green Line (Basalt to Bay Landcare Network, Koroit)**

The Basalt to Bay Landcare Network's Green Line is a driven and active Landcare demonstration project in Western Victoria, managing and promoting the environmental and cultural heritage values along 37 kilometres of VicTrack land between Minhamite and Koroit. In 2020–21, Basalt to Bay Landcare Network used VicTrack funding to control weeds that negatively impact on the biodiversity of the Green Line. They also recorded a native moth, which, according to iNaturalist and the Atlas of Living Australia, has not been recorded west of the Otways before. This makes it the first ever recorded population of this moth – *Chrysolarentia vicissata* – in Victoria, beyond the previously known extent since the 1800s.

### **The Great Victorian Rail Trail (Upper Goulburn Landcare Network, Yea)**

VicTrack has been supporting this project since 2017. The Great Victorian Rail Trail in Central Victoria provides an important ecological function, allowing animal species to move between patches of remnant bushland, waterways and state forest.

The rail trail requires ongoing maintenance and supplementary planting to help achieve biodiversity outcomes. In 2020–21, VicTrack funding contributed to managing sections of high priority Box Gum grassy woodlands, weed control, fauna surveys, revegetation, the installation of nesting boxes, ecological burns and building partnerships with the local Taungurung Aboriginal community and local Country Fire Authority brigades, community engagement and environmental education activities.

### **Emerald Starbush Sustainability Project (Johns Hill Landcare Group, Emerald)**

Johns Hill Landcare Group is a member of the Emerald Starbush Alliance, which has worked to increase the numbers of Emerald Starbush plants for several years.

The Group works on a small VicTrack area between the Puffing Billy railway line and Belgrave–Gembrook Road. The site is a healthy piece of bushland, but prone to rubbish dumping and invasive species. By cleaning up, weeding and planting 280 endangered Emerald Starbush plants, Johns Hill Landcare Group is helping improve biodiversity in the area and restore an indigenous population of Emerald Starbush.

### **Hopetoun Habitat Haven (Hopetoun Landcare Group, Hopetoun)**

Hopetoun Landcare Group has been working to visually and environmentally enhance VicTrack sites in Hopetoun and increase community awareness and knowledge of species endemic to the area.

In 2020–21 a biodiversity assessment of the area was undertaken by an environmental consultant, providing information on species endemic to the area and guiding nest box requirements. Local students from Hopetoun P-12 College were involved in constructing eight bat, five owl, four parrot and two possum nest boxes for the sites. Rubbish removal was also undertaken by Hopetoun Landcare Group volunteers, and non-native tree removal and weed control was undertaken, which will continue as the sites are maintained.

### **Girgarre–Stanhope Rail Trail Revegetation Project (Stanhope–Girgarre Landcare Group, Stanhope)**

The Girgarre/Stanhope Land Protection Group is a farmer-based group focusing on salinity and revegetation issues in their district. Through this project they are working with the Girgarre/Stanhope Rail Trail Group to assist with efforts developing the three-kilometre rail trail between Girgarre and Stanhope.

This project began with the removal of old fencing, and a new boundary fence erected between the site and adjoining lands to ensure stock exclusion. Weed control was also undertaken through the spraying of Briar roses and Bindii, and monitoring will help keep these invasive species under control. A planting event took place in May 2021, and direct seeding of trees indigenous to the area took place along the western side of the walking track. Ultimately this will provide the foundation for a green corridor between the two towns, a canopy for future understory plantings and shade for rail trail users.

### **Yan Yean VicTrack Reserve Project (Whittlesea and Surrounds Blackberry Action Group, Yan Yean)**

The Whittlesea and Surrounds Blackberry Action Group works on the eight-kilometre Yan Yean VicTrack reserve between Whittlesea and Mernda. The land provides an important ecological function, allowing species to migrate between patches of remnant bushland and waterways.

VicTrack funding was used to undertake significant weed control to high threat woody weeds, including Weeds of National Significance such as Montpellier Broom, Serrated Tussock and Blackberry. Weeding control on 4,000 square metres was undertaken, which has noticeably enhanced the biodiversity values of this significant wildlife corridor. It has also improved the environmental condition of the critically endangered vegetation communities present, including native grasslands and grassy woodlands that contain regionally and nationally threatened species such as the Matted Flax-lily and habitat for the Striped Legless Lizard, Swift Parrot and Golden Sun-Moth.

### **Cronomby Cultural Connect (Woomelang Lascelles Landcare Group, Woomelang)**

This project aims to improve the environment around Woomelang and the recently completed Cronomby Tanks Reserve. Activities undertaken in 2020–21 included the development of a walking track for all weather pedestrian access, and significant weed control.

Boxthorn, Bridal Creeper, Prickly Pear and Horehound were cleared from the project site using chemical control. Management of these weeds took place on an ongoing basis to avoid spread further into the reserve. Cumbungi is an invasive species and is located in all three dams at Cronomby Tanks, which causes accessibility issues and can affect water quality. The installation of bollards (made from Red Gum) was also completed in 2020–21 to prevent vehicle access to vulnerable areas of vegetation and protect smaller understory species.

## Community leases

VicTrack's community lease program makes buildings and land available to a range of local government and community groups, helping to boost recreational space and supporting community initiatives. Across Victoria our land and property are used for a wide range of social and cultural activities. We've worked with communities to create shared paths and provided space for youth programs from boxing to hip hop dancing. We provide leases at a fraction of commercial rental rates – one of the ways we invest back into communities.

In the 2020–21 financial year we had 415 leases in the community lease portfolio. Our lessees include councils, tourist and heritage groups, Scouts and Girl Guides and community organisations like Lions Clubs.

In June 2021, not-for-profit organisation, the Big Umbrella, signed a lease to use a parcel of VicTrack-owned land near Brunswick Station as a vegetable garden.

The Big Umbrella is volunteer-run organisation that uses surplus food to cook meals for vulnerable people, including the homeless and those who were affected by storms in the Dandenong Ranges in June 2021.

The early works at the leased site include installing planter boxes to grow herbs and leafy vegetables to be used in meal preparation. Eventually the group plans to expand the planting, have some chickens for eggs, install solar panels to help make the area sustainable and a meditation space.

In another new lease in 2021, visitors to Kyabram's new water tank mural will soon have a comfortable place to view the artwork, after VicTrack leased the platform of the old Kyabram Station to the KY Project Committee. The committee raised the funds to commission renowned street artist Jimmy DVate to paint a huge mural depicting a Major Mitchell cockatoo in its habitat. They will use the station platform as a viewing deck for the mural with seating and information boards about the mural and the historic railway station.

## Community use of vacant rail buildings

VicTrack is restoring 10 more of Victoria's historic station buildings through the Victorian Government's Community Use of Vacant Rail Buildings Program after \$9 million funding was announced in the 2020–21 State Budget.

Under the program, disused station buildings in regional towns, some of which have been vacant for decades, are restored so they can be used by local community groups. The program's benefits include bringing the station buildings back to life and providing the community with new spaces to enjoy. The restored buildings also provide a boost to the regional economy, by attracting tourists and visitors to rural towns.

The station buildings being restored under the current program of works are:

- Harcourt
- Newstead goods shed
- Korumburra
- Woomelang
- Patchewollock
- Lethbridge
- Lal Lal
- Little River
- Casterton
- Nyora

All works are scheduled to be delivered by the end of 2022. VicTrack previously restored 21 railway buildings under the program between 2013 and 2019. The restored buildings are continuing to provide a boost to the regional economy, by attracting tourists and visitors to rural towns.

## Keep Victoria Beautiful Stationeers

Community volunteers are enabled and supported to beautify railway stations across metropolitan Melbourne and regional Victoria in partnership with VicTrack, Metro Trains Melbourne, V/Line and DoT.

Stationeers keep the area around railway stations looking good. This in turn improves amenity and enhances customers' experience at the station. Each Stationeers group is different, and the projects vary from station to station. Some past projects have included planting out a car park and working with local school children to establish a mural.

Stationeers operate across metropolitan Melbourne and at V/Line stations in regional Victoria. There are currently 56 active Stationeers groups.

In September 2019, VicTrack and the other transport partners finalised a sponsorship agreement with KVB for a further three years' support of the Stationeers program.

# Financial Statements



## Declaration by Chair, Accountable Officer and Deputy Chief Executive 30 June 2021

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 Assistant Treasurer 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 accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and the financial position as at 30 June 2021 of VicTrack and the Consolidated Entity.

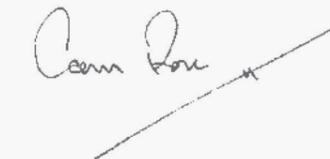
As at the time of signing we are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 16 September 2021.



Geraldine Gray  
Chair

Dated: 16 September 2021



Campbell A. Rose AM  
Chief Executive

Dated: 16 September 2021



Chris Olds  
Deputy Chief Executive

Dated: 16 September 2021

## Comprehensive operating statement for the year ended 30 June 2021

|  | Note  | Consolidated       |                    | Parent             |                    |
|--|-------|--------------------|--------------------|--------------------|--------------------|
|  |       | 2021<br>\$'000     | 2020<br>\$'000     | 2021<br>\$'000     | 2020<br>\$'000     |
| <b>Continuing operations</b>                                   |       |                    |                    |                    |                    |
| <b>Revenue and income from transactions</b>                    |       |                    |                    |                    |                    |
| Telecommunication services                                     | 2.1   | 62,610             | 56,694             | 62,610             | 56,694             |
| Property related income  | 2.2   | 28,400             | 31,995             | 28,400             | 31,995             |
| Services received free of charge                               | 2.3   | -                  | 26,236             | -                  | 26,236             |
| Government contributions towards capital and related work      | 2.4   | 40,207             | 132,914            | 21,473             | 8,335              |
| Other income   | 2.5   | 65,891             | 87,827             | 55,127             | 61,255             |
| Capital asset charge   | 2.6   | 2,567,023          | 2,383,847          | 2,567,023          | 2,383,847          |
| <b>Total income from transactions</b>                          |       | <b>2,764,131</b>   | <b>2,719,513</b>   | <b>2,734,633</b>   | <b>2,568,362</b>   |
| <b>Expenses from transactions:</b>                             |       |                    |                    |                    |                    |
| Employee benefits  | 3.2   | 51,044             | 50,876             | 51,044             | 50,876             |
| Depreciation and amortisation                                  | 4.1.1 | 937,689            | 780,738            | 751,324            | 610,922            |
| Finance costs  |       | 3,322              | 9,448              | 74                 | 57                 |
| Capital asset charge   | 2.6   | 2,567,023          | 2,383,847          | 2,567,023          | 2,383,847          |
| Supplies and services  | 3.3   | 35,949             | 71,244             | 35,949             | 71,244             |
| Other expenses from ordinary activities                        | 3.4   | 61,748             | 58,086             | 192,378            | 58,005             |
| <b>Total expenses from transactions</b>                        |       | <b>3,656,776</b>   | <b>3,354,238</b>   | <b>3,597,792</b>   | <b>3,174,951</b>   |
| <b>Net result from transactions (net operating balance)</b>    |       | <b>(892,645)</b>   | <b>(634,725)</b>   | <b>(863,159)</b>   | <b>(606,590)</b>   |
| <b>Other economic flows included in net result:</b>            |       |                    |                    |                    |                    |
| Net gain/(loss) on non-financial assets                        | 8.4   | (703,931)          | (1,932,763)        | (703,931)          | (1,812,141)        |
| Other gains/(losses) from other economic flows                 | 8.4   | (449)              | (345)              | (449)              | (345)              |
| <b>Total other economic flows included in net result</b>       |       | <b>(704,379)</b>   | <b>(1,933,108)</b> | <b>(704,379)</b>   | <b>(1,812,485)</b> |
| <b>Net result from continuing operations before tax</b>        |       | <b>(1,597,024)</b> | <b>(2,567,833)</b> | <b>(1,567,538)</b> | <b>(2,419,075)</b> |
| Tax equivalent benefit   | 3.5.1 | 100,198            | 607,041            | 477,617            | 565,799            |
| <b>Net result</b>  |       | <b>(1,496,826)</b> | <b>(1,960,792)</b> | <b>(1,089,922)</b> | <b>(1,853,276)</b> |
| <b>Other economic flows - other comprehensive income</b>       |       |                    |                    |                    |                    |
| <b>Items that will not be reclassified to net results</b>      |       |                    |                    |                    |                    |
| Changes in physical asset revaluation surplus                  |       | 481,489            | 3,036,234          | 858,525            | 2,907,277          |
| Income tax on physical asset revaluation surplus               | 3.5.1 | 2,106              | (704,143)          | 2,106              | (665,456)          |
| <b>Total other economic flows - other comprehensive income</b> |       | <b>483,595</b>     | <b>2,332,091</b>   | <b>860,631</b>     | <b>2,241,821</b>   |
| <b>Comprehensive result</b>                                    |       | <b>(1,013,231)</b> | <b>371,299</b>     | <b>(229,291)</b>   | <b>388,545</b>     |

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

## Balance sheet as at 30 June 2021

|  | Note  | Consolidated      |                   | Parent            |                   |
|--|-------|-------------------|-------------------|-------------------|-------------------|
|  |       | 2021<br>\$'000    | 2020<br>\$'000    | 2021<br>\$'000    | 2020<br>\$'000    |
| <b>Assets</b>                                    |       |                   |                   |                   |                   |
| <b>Financial assets</b>                          |       |                   |                   |                   |                   |
| Cash and deposits                                | 5.5   | 49,635            | 54,086            | 48,581            | 52,959            |
| Other financial assets                           |       | 100               | 100               | -                 | -                 |
| Trade and other receivables                      | 6.1   | 45,426            | 34,288            | 45,060            | 163,376           |
| <b>Total financial assets</b>                    |       | <b>95,162</b>     | <b>88,474</b>     | <b>93,641</b>     | <b>216,336</b>    |
| <b>Non-financial assets</b>                      |       |                   |                   |                   |                   |
| Prepayments                                      |       | 4,523             | 4,861             | 4,523             | 4,861             |
| Property, infrastructure, plant and equipment    | 4.1   | 39,074,306        | 43,122,157        | 34,969,409        | 38,699,996        |
| Non-financial assets classified as held for sale | 8.5   | 454               | 781               | 454               | 781               |
| <b>Total non-financial assets</b>                |       | <b>39,079,282</b> | <b>43,127,800</b> | <b>34,974,386</b> | <b>38,705,639</b> |
| <b>Total assets</b>                              |       | <b>39,174,444</b> | <b>43,216,275</b> | <b>35,068,026</b> | <b>38,921,975</b> |
| <b>Liabilities</b>                               |       |                   |                   |                   |                   |
| Trade and other payables                         | 6.2   | 103,752           | 74,624            | 103,031           | 73,932            |
| Employee related provisions                      | 3.2.1 | 12,777            | 14,473            | 12,777            | 14,473            |
| Other provisions                                 | 6.3   | 5,483             | 4,765             | 5,483             | 4,765             |
| Borrowings                                       | 5.1   | 48,447            | 66,615            | 11,510            | 2,152             |
| Deferred tax liability                           | 3.5.2 | 1,995,023         | 2,097,327         | 1,588,177         | 2,067,900         |
| <b>Total liabilities</b>                         |       | <b>2,165,483</b>  | <b>2,257,806</b>  | <b>1,720,978</b>  | <b>2,163,221</b>  |
| <b>Net assets</b>                                |       | <b>37,008,961</b> | <b>40,958,471</b> | <b>33,347,048</b> | <b>36,758,754</b> |
| <b>Equity</b>                                    |       |                   |                   |                   |                   |
| Contributed capital                              | 5.4   | 28,757,842        | 31,694,121        | 24,544,927        | 27,727,343        |
| Physical asset revaluation surplus               |       | 14,406,676        | 13,923,081        | 14,339,709        | 13,479,077        |
| Accumulated surplus/(deficit)                    |       | (6,155,557)       | (4,658,731)       | (5,537,588)       | (4,447,666)       |
| <b>Net worth</b>                                 |       | <b>37,008,961</b> | <b>40,958,471</b> | <b>33,347,048</b> | <b>36,758,754</b> |
| 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 2021

|  | Contributed equity | Physical asset revaluation surplus | Accumulated Surplus/ (deficit) | Total equity       |
|--|--------------------|------------------------------------|--------------------------------|--------------------|
|  | \$'000             | \$'000                             | \$'000                         | \$'000             |
| <b>Consolidated</b>  |                    |                                    |                                |                    |
| <b>2020</b>  |                    |                                    |                                |                    |
| Balance as 1 July 2019                                       | 27,769,302         | 11,590,990                         | (2,697,938)                    | 36,662,354         |
| Net result for the year                                      | -                  | -                                  | (1,960,792)                    | (1,960,792)        |
| Other comprehensive income/(expense) for the year            | -                  | 2,332,091                          | -                              | 2,332,091          |
| <b>Total comprehensive result for the year</b>               | <b>-</b>           | <b>2,332,091</b>                   | <b>(1,960,792)</b>             | <b>371,299</b>     |
| <b>Transactions with owners in their capacity as owners:</b> |                    |                                    |                                |                    |
| Contributions by owners during the year                      | 3,924,819          | -                                  | -                              | 3,924,819          |
| <b>Balance at 30 June 2020</b>                               | <b>31,694,121</b>  | <b>13,923,081</b>                  | <b>(4,658,731)</b>             | <b>40,958,471</b>  |
| <b>2021</b>  |                    |                                    |                                |                    |
| Balance as 1 July 2020                                       | 31,694,121         | 13,923,081                         | (4,658,731)                    | 40,958,471         |
| Net result for the year                                      | -                  | -                                  | (1,496,826)                    | (1,496,826)        |
| <b>Other comprehensive income/(expense) for the year</b>     | <b>-</b>           | <b>483,595</b>                     | <b>-</b>                       | <b>483,595</b>     |
| <b>Total comprehensive result for the year</b>               | <b>-</b>           | <b>483,595</b>                     | <b>(1,496,826)</b>             | <b>(1,013,231)</b> |
| <b>Transactions with owners in their capacity as owners:</b> |                    |                                    |                                |                    |
| Contributions returned to owners                             | (3,522,123)        | -                                  | -                              | (3,522,123)        |
| Contributions by owners during the year                      | 585,844            | -                                  | -                              | 585,844            |
| <b>Balance at 30 June 2021</b>                               | <b>28,757,842</b>  | <b>14,406,676</b>                  | <b>(6,155,557)</b>             | <b>37,008,961</b>  |

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

|  | Note | Contributed equity | Physical asset revaluation surplus | Accumulated Surplus/ (deficit) | Total equity      |
|--|------|--------------------|------------------------------------|--------------------------------|-------------------|
|  |      | \$'000             | \$'000                             | \$'000                         | \$'000            |
| <b>Parent</b>  |      |                    |                                    |                                |                   |
| <b>2020</b>  |      |                    |                                    |                                |                   |
| Balance as 1 July 2019                                       |      | 24,231,426         | 11,237,256                         | (2,594,389)                    | 32,874,293        |
| Net result for the year                                      |      | -                  | -                                  | (1,853,276)                    | (1,853,276)       |
| Other comprehensive income/(expense) for the year            |      | -                  | 2,241,821                          | -                              | 2,241,821         |
| <b>Total comprehensive result for the year</b>               |      | <b>-</b>           | <b>2,241,821</b>                   | <b>(1,853,276)</b>             | <b>388,545</b>    |
| <b>Transactions with owners in their capacity as owners:</b> |      |                    |                                    |                                |                   |
| Transfer to fully owned subsidiaries                         |      | (428,902)          | -                                  | -                              | (428,902)         |
| Contributions by owners during the year                      |      | 3,924,819          | -                                  | -                              | 3,924,819         |
| <b>Balance at 30 June 2020</b>                               |      | <b>27,727,343</b>  | <b>13,479,077</b>                  | <b>(4,447,666)</b>             | <b>36,758,754</b> |
| <b>2021</b>  |      |                    |                                    |                                |                   |
| Balance as 1 July 2020                                       |      | 27,727,343         | 13,479,077                         | (4,447,666)                    | 36,758,754        |
| Net result for the year                                      |      | -                  | -                                  | (1,089,922)                    | (1,089,922)       |
| Other comprehensive income/(expense) for the year            |      | -                  | 860,631                            | -                              | 860,631           |
| <b>Total comprehensive result for the year</b>               |      | <b>-</b>           | <b>860,631</b>                     | <b>(1,089,922)</b>             | <b>(229,291)</b>  |
| <b>Transactions with owners in their capacity as owners:</b> |      |                    |                                    |                                |                   |
| Transfer to fully owned subsidiaries                         | 8.3  | (246,137)          | -                                  | -                              | (246,137)         |
| Contributions returned to owners                             |      | (3,522,123)        | -                                  | -                              | (3,522,123)       |
| Contributions by owners during the year                      |      | 585,844            | -                                  | -                              | 585,844           |
| <b>Balance at 30 June 2021</b>                               |      | <b>24,544,927</b>  | <b>14,339,709</b>                  | <b>(5,537,588)</b>             | <b>33,347,048</b> |

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

## Cash flow statement for the year ended 30 June 2021

|   | Note       | Consolidated       |                    | Parent             |                    |
|---|------------|--------------------|--------------------|--------------------|--------------------|
|   |            | 2021<br>\$'000     | 2020<br>\$'000     | 2021<br>\$'000     | 2020<br>\$'000     |
| <b>Cash flows from operating activities</b>                             |            |                    |                    |                    |                    |
| Receipts from government and other entities                             |            | 192,640            | 348,428            | 146,370            | 191,342            |
| Interest received   |            | 76                 | 1,125              | 75                 | 1,118              |
| Receipts from the Victorian Government for:                             |            |                    |                    |                    |                    |
| - capital assets charge (*)   |            | 2,567,023          | 2,383,847          | 2,567,023          | 2,383,847          |
| - capital and related works (inclusive of GST) and termination payments |            | 23,518             | 9,541              | 23,518             | 9,541              |
| <b>Total receipts</b>   |            | <b>2,783,257</b>   | <b>2,742,941</b>   | <b>2,736,986</b>   | <b>2,585,848</b>   |
| <b>Payments</b>   |            |                    |                    |                    |                    |
| Suppliers (inclusive of GST) and employees                              |            | (140,264)          | (200,854)          | (132,870)          | (197,668)          |
| Interest and other costs of finance paid                                |            | (9,465)            | (9,448)            | (74)               | (57)               |
| Capital assets charge (*)   |            | (2,567,023)        | (2,383,847)        | (2,567,023)        | (2,383,847)        |
| Goods and services tax paid to the ATO (**)                             |            | (4,179)            | (4,506)            | (2,080)            | (2,285)            |
| <b>Total Payments</b>   |            | <b>(2,720,931)</b> | <b>(2,598,655)</b> | <b>(2,702,047)</b> | <b>(2,583,857)</b> |
| <b>Net cash flows from/(used in) operating activities</b>               | <b>5.5</b> | <b>62,326</b>      | <b>144,286</b>     | <b>34,939</b>      | <b>1,991</b>       |
| <b>Cash flows from investing activities</b>                             |            |                    |                    |                    |                    |
| Acquisition of property, plant and equipment                            |            | (54,883)           | (54,262)           | (54,883)           | (54,262)           |
| Proceeds from sale of property, plant & equipment                       |            | 5,566              | 44,436             | 5,566              | 44,436             |
| <b>Net cash from/(used in) investing activities</b>                     |            | <b>(49,317)</b>    | <b>(9,826)</b>     | <b>(49,317)</b>    | <b>(9,826)</b>     |
| <b>Cash flows from financing activities</b>                             |            |                    |                    |                    |                    |
| Loan drawdown   |            | 10,000             | -                  | 10,000             | -                  |
| Repayment of borrowings and principal portion leases liabilities        |            | (27,459)           | (142,318)          | -                  | -                  |
| <b>Net cash flows from/(used in) financing activities</b>               |            | <b>(17,459)</b>    | <b>(142,318)</b>   | <b>10,000</b>      | <b>-</b>           |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             |            | <b>(4,450)</b>     | <b>(7,858)</b>     | <b>(4,378)</b>     | <b>(7,835)</b>     |
| Cash and cash equivalents at the beginning of the financial year        |            | 54,086             | 61,944             | 52,959             | 60,794             |
| Cash and cash equivalents at the end of the financial year              |            | 49,635             | 54,086             | 48,581             | 52,959             |

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 and government capital contributions do not represent physical movements of cash between the Consolidated Entity and the Victorian Government.

(\*\*) GST paid to the Australian Taxation Office is presented on a net basis.

## 1. About this report

This report represents the audited general-purpose financial statements for VicTrack and its controlled entities ("The Consolidated Entity") for the year ended 30 June 2021. 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 AASB 1004: 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. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying AASB that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

AASB 16 Leases is effective for annual reporting periods commencing on or after 1 January 2019. The Consolidated Entity adopted the AASB 16 for the reporting period beginning 1 July 2019 using the full retrospective method of transition. Consequently, the impact of the new standard has been calculated as if the standard had always applied, subject to the practical expedients permitted on transition.

Previously, the Consolidated Entity accounted for leases in accordance with AASB 117 Leases and AASB Interpretation 4 Determining whether an arrangement contains a lease. The Consolidated Entity has elected to apply the grandfathering practical expedient on transition to AASB 16. This means that for arrangements entered into before 1 July 2019, the Consolidated Entity has not reassessed whether it is, or contains, a lease in accordance with the new AASB 16 lease definition. Consequently, existing contracts as at 1 July 2019 continued to be assessed per the previous accounting policy described below in accordance with AASB 117 and AASB Interpretation 4. Given this, the transition and new requirements of AASB 16 the new accounting for leases under AASB 16 Leases only apply to arrangements entered into, or modified after, 1 July 2019. For the year ending 30 June 2021 there have no modifications to the existing leases and therefore the accounting treatment remains unchanged.

### Basis of consolidation

In accordance with AASB 10: 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 2021, 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 the Department of Transport ("DoT") makes all payments to the lessors or financiers on behalf of the Consolidated Entity is confirmed by the Letter of Support provided by the DoT dated 3 August 2021 covering the period until September 2022. The funding of support is based on approved budget targets and applies while the Consolidated Entity remains in full state ownership.

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* and *Australian Accounting Standards* ("AAS"). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

The entity is a not-for-profit entity for reporting purposes under Australian Accounting Standards and FRD 108C 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 telecommunication 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 revenue and income that funds the delivery of our services

|   | Note | Consolidated     |                  | Parent           |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2021<br>\$'000   | 2020<br>\$'000   | 2021<br>\$'000   | 2020<br>\$'000   |
| <b>Continuing operations</b>                              |      |                  |                  |                  |                  |
| <b>Income from transactions:</b>                          |      |                  |                  |                  |                  |
| Telecommunication services                                | 2.1  | 62,610           | 56,694           | 62,610           | 56,694           |
| Property related income                                   | 2.2  | 28,400           | 31,995           | 28,400           | 31,995           |
| Services received free of charge                          | 2.3  | -                | 26,236           | -                | 26,236           |
| Government contributions towards capital and related work | 2.4  | 40,207           | 132,914          | 21,473           | 8,335            |
| Other income  | 2.5  | 65,891           | 87,827           | 55,127           | 61,255           |
| Capital asset charge                                      | 2.6  | 2,567,023        | 2,383,847        | 2,567,023        | 2,383,847        |
| <b>Total income from transactions</b>                     |      | <b>2,764,131</b> | <b>2,719,513</b> | <b>2,734,633</b> | <b>2,568,361</b> |

Revenue and income (excluding capital asset charge) that fund delivery of the Consolidated Entity services are transactions that have been determined as revenue from contracts with customers in accordance with AASB 15.

### Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. The Consolidated Entity recognises revenue when it transfers control of a good or service to the customer, i.e. when, or as, the performance obligations for the sale of goods and services to the customer are satisfied.

- Customers obtain control of the supplies and consumables at a point in time when the goods are delivered to and have been accepted at their premises.
- Revenue from the sale of goods are recognised when the goods are delivered and have been accepted by the customer at their premises.
- Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time when the customer simultaneously receives and consumes the services as it is provided.

## 2.1 Telecommunication 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. Revenue from contracts with customers are recognised in accordance with AASB 15.

## 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. Revenue from contracts with customers are recognised in accordance with AASB 15.

## 2.3 Services received free of charge

This relates to resources received free of charge received by the Department of Transport ("DoT") 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 work are recognised progressively as the asset is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done.

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for as revenue from contracts with customers under AASB 15. These grants relate to the contributions towards capital and related work. Revenue is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance or shortly after the relevant obligation is satisfied.

## 2.5 Other Income

|                                   | Consolidated   |                | Parent         |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Interest income                   | 76             | 1,333          | 75             | 1,326          |
| Rolling stock lease income        | 10,667         | 26,327         | -              | -              |
| Infrastructure management revenue | 42,960         | 50,189         | 42,960         | 50,189         |
| Other                             | 12,188         | 9,979          | 12,093         | 9,740          |
| <b>Total other income</b>         | <b>65,891</b>  | <b>87,827</b>  | <b>55,127</b>  | <b>61,255</b>  |

## 2.5.1 Interest income

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported either as part of income from other economic flows in the net result or as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

## 2.5.2 Rolling stock lease income

Lease income from 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 rolling stock at the expiry of the lease period.

|   | 2021<br>\$'000 | 2020<br>\$'000 |
|---|----------------|----------------|
| <b>Non-cancellable operating lease receivables</b>  |                |                |
| Not longer than one year                            | 361            | 12,060         |
| Longer than one year but not longer than five years | -              | 361            |
| <b>Total</b>  | <b>361</b>     | <b>12,421</b>  |

## 2.5.3 Infrastructure management revenue

Infrastructure management revenue includes income for customer construction projects. Customer construction projects are operating construction works on public transport sites where VicTrack is best placed to deliver these projects. They are often part of larger government funded projects that may ultimately be transferred to VicTrack's asset base through an equity transfer e.g. level crossing removals. The revenue is recognised as work is performed.

## 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 Department of Treasury and Finance ("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 2021.

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.

### 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

|   | Note | Consolidated     |                  | Parent           |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2021<br>\$'000   | 2020<br>\$'000   | 2021<br>\$'000   | 2020<br>\$'000   |
| Employee benefits                       | 3.2  | 51,044           | 50,876           | 51,044           | 50,876           |
| Supplies of services                    | 3.3  | 35,949           | 71,244           | 35,949           | 71,244           |
| Other expenses from ordinary activities | 3.4  | 61,748           | 58,087           | 192,378          | 58,005           |
| Capital asset charge                    | 2.6  | 2,567,023        | 2,383,847        | 2,567,023        | 2,383,847        |
|   |      | <b>2,715,766</b> | <b>2,564,054</b> | <b>2,846,394</b> | <b>2,563,972</b> |

#### 3.2 Employee benefits in the comprehensive operating statement

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Salaries and wages, annual leave and long service leave | 37,568         | 38,147         | 37,568         | 38,147         |
| Associated labour on-costs                              | 3,412          | 3,429          | 3,412          | 3,429          |
| Increase in provision for employee entitlements         | 2,579          | 2,874          | 2,579          | 2,874          |
| <b>Post employment benefits</b>                         |                |                |                |                |
| Superannuation contributions                            | 5,106          | 5,190          | 5,106          | 5,190          |
| Termination benefits                                    | 2,380          | 1,236          | 2,380          | 1,236          |
| <b>Total employee benefits</b>                          | <b>51,044</b>  | <b>50,876</b>  | <b>51,044</b>  | <b>50,876</b>  |

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, termination 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).

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Consolidated Entity is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### 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         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Current provisions</b>                             |                |                |                |                |
| <b>Employee benefits</b>                              |                |                |                |                |
| <b>Annual leave</b>                                   |                |                |                |                |
| Unconditional and expected to settle within 12 months | 4,433          | 3,738          | 4,433          | 3,738          |
| Unconditional and expected to settle after 12 months  | 157            | 106            | 157            | 106            |
| <b>Long service leave</b>                             |                |                |                |                |
| Unconditional and expected to settle within 12 months | 446            | 557            | 446            | 557            |
| Unconditional and expected to settle after 12 months  | 4,512          | 6,081          | 4,512          | 6,081          |
| <b>Other employee benefits</b>                        |                |                |                |                |
| Unconditional and expected to settle within 12 months | 566            | 1,211          | 566            | 1,211          |
| <b>Total current provisions (excluding on-costs)</b>  | <b>10,114</b>  | <b>11,693</b>  | <b>10,114</b>  | <b>11,693</b>  |
| <b>Provision for on-costs</b>                         |                |                |                |                |
| Unconditional and expected to settle within 12 months | 834            | 837            | 834            | 837            |
| Unconditional and expected to settle after 12 months  | 715            | 940            | 715            | 940            |
| <b>Total provision for on-costs</b>                   | <b>1,549</b>   | <b>1,777</b>   | <b>1,549</b>   | <b>1,777</b>   |
| <b>Total current provisions</b>                       | <b>11,663</b>  | <b>13,470</b>  | <b>11,663</b>  | <b>13,470</b>  |
| <b>Non-Current provisions</b>                         |                |                |                |                |
| Employee benefits                                     | 967            | 871            | 967            | 871            |
| On-costs  | 148            | 133            | 148            | 133            |
| <b>Total non-current provisions</b>                   | <b>1,115</b>   | <b>1,004</b>   | <b>1,115</b>   | <b>1,004</b>   |
| <b>Total employee benefits provisions</b>             | <b>12,777</b>  | <b>14,473</b>  | <b>12,777</b>  | <b>14,473</b>  |

**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 and annual leave are measured at:

- nominal value - if the Consolidated Entity expects to wholly settle within 12 months; or
- 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 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:

- undiscounted value - if the Consolidated Entity expects to wholly settle within 12 months; or
- 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 a conditional 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 as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

**On-costs on employee benefits**

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

**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:

|                                   | 30 June 2021<br>Contributions | Contributions<br>outstanding as<br>at 30 June 2021 | 30 June 2020<br>Contributions | Contributions<br>outstanding as<br>at 30 June 2020 |
|-----------------------------------|-------------------------------|--|-------------------------------|--|
|                                   | \$'000                        | \$'000   | \$'000                        | \$'000   |
| <b>Superannuation fund (a)</b>    |                               |  |                               |  |
| <b>Defined benefit plans (b)</b>  |                               |  |                               |  |
| Transport Superannuation Scheme   | 290                           | 31   | 400                           | 10   |
| State Superannuation Scheme       | 122                           | 13   | 225                           | 5  |
| <b>Defined contribution plans</b> |                               |  |                               |  |
| VicSuper                          | 1,794                         | 189  | 1,828                         | 186  |
| Other                             | 2,928                         | 309  | 2,737                         | 378  |
|                                   | <b>5,134</b>                  | <b>542</b>   | <b>5,190</b>                  | <b>579</b>   |

(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**

|  | Consolidated   |                | Parent         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Property services (including land tax) | 10,104         | 17,688         | 10,104         | 17,688         |
| Telecommunications expenses            | 7,984          | 8,952          | 7,984          | 8,952          |
| Contract and other payments            | 17,861         | 44,604         | 17,861         | 44,604         |
| <b>Total supplies and services</b>     | <b>35,949</b>  | <b>71,244</b>  | <b>35,949</b>  | <b>71,244</b>  |

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

### 3.4 Other expenses from ordinary activities

|                                       | Consolidated   |                | Parent         |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Bad debts                             | 396            | 165            | 131,139        | 165            |
| Insurance premiums                    | 802            | 650            | 802            | 650            |
| Legal fees                            | 2,239          | 1,490          | 2,239          | 1,490          |
| Occupancy costs                       | 2,332          | 2,234          | 2,332          | 2,234          |
| Customer construction expense         | 45,277         | 44,061         | 45,277         | 44,061         |
| Other expenses                        | 10,702         | 9,486          | 10,589         | 9,404          |
| <b>Total other operating expenses</b> | <b>61,748</b>  | <b>58,086</b>  | <b>192,378</b> | <b>58,005</b>  |

Other operating expenses generally represent the day to day running costs incurred in normal operations and also includes customer construction expense. During 2020-21, VicTrack wrote off as the bad debts loans associated its consolidated entities.

#### Customer construction expenses

Customer construction expenses are operating construction projects on transport sites where VicTrack is best placed to deliver these projects. They are often part of larger government funded projects that may ultimately be transferred to VicTrack's asset base through an equity transfer e.g level crossing removals. The expenses are recognised in the reporting period in which they are incurred.

### 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 national tax equivalent regime ("NTER"), but limited to the income tax component of the NTER.

### 3.5.1 Tax equivalent expense

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Income tax</b>   |                |                |                |                |
| Current income tax (expense)/benefit  | 150,145        | 501,244        | 120,312        | 445,086        |
| Adjustment in respect of current income tax of previous years               | (386,832)      | 13,254         | -              | -              |
| Deferred income tax   | 336,885        | 92,544         | 357,304        | 120,713        |
| <b>Total income tax (expense)/benefit</b>                                   | <b>100,198</b> | <b>607,041</b> | <b>477,617</b> | <b>565,799</b> |
| <b>Income tax reconciliation</b>  |                |                |                |                |
| Accounting profit/(loss) before tax   | (1,600,207)    | (2,567,833)    | (1,436,796)    | (2,419,075)    |
| Income tax (expense)/benefit at company tax rate of 30%                     | 480,062        | 762,270        | 431,039        | 717,643        |
| Prior year's income tax adjustments and non-allowable items                 | (379,864)      | (155,229)      | 46,578         | (151,843)      |
|   | <b>100,198</b> | <b>607,041</b> | <b>477,617</b> | <b>565,799</b> |
| <b>Deferred income tax revenue/(expense) included in income tax expense</b> |                |                |                |                |
| (Increase)/decrease in deferred tax liabilities                             | 191            | 92,520         | 191            | (68)           |
| Increase/(decrease) in deferred tax assets                                  | 336,694        | 24             | 357,113        | 120,781        |
|   | <b>336,885</b> | <b>92,544</b>  | <b>357,304</b> | <b>120,713</b> |
| <b>Amounts charged directly to equity</b>                                   |                |                |                |                |
| <b>Revaluation reserves</b>   |                |                |                |                |
| Revaluation of plant and equipment  | 2,106          | (704,143)      | 2,106          | (665,456)      |

### 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; or
- 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             |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2021<br>\$'000     | 2020<br>\$'000     | 2021<br>\$'000     | 2020<br>\$'000     |
| <b>Deferred tax assets</b>  |                    |                    |                    |                    |
| <b>The balance comprises temporary differences attributable to:</b> |                    |                    |                    |                    |
| Fair value of loan  | -                  | 12                 | -                  | -                  |
| Finance lease liability   | -                  | -                  | 655                | 646                |
| Accrued leave   | 3,833              | 4,342              | 3,833              | 4,342              |
| Provisions  | 1,645              | 1,430              | 1,645              | 1,430              |
| Accrued interest  | -                  | 64                 | -                  | 64                 |
| Doubtful debts  | 338                | 63                 | 338                | 63                 |
| Accelerated depreciation  | 539,535            | 202,746            | 658,015            | 300,829            |
| Losses available for offset   | 1,132,806          | 1,369,493          | 1,218,815          | 1,089,504          |
| <b>Total deferred tax assets</b>                                    | <b>1,678,157</b>   | <b>1,578,149</b>   | <b>1,883,302</b>   | <b>1,396,877</b>   |
| <b>Deferred tax liabilities</b>                                     |                    |                    |                    |                    |
| <b>The balance comprises temporary differences attributable to:</b> |                    |                    |                    |                    |
| Revaluation of plant and equipment                                  | (3,672,720)        | (3,674,826)        | (3,471,026)        | (3,473,132)        |
| Finance lease assets  | (453)              | (644)              | (453)              | (644)              |
| Fair value of loan  | (9)                | (9)                | -                  | -                  |
| <b>Total deferred tax liabilities</b>                               | <b>(3,673,181)</b> | <b>(3,675,478)</b> | <b>(3,471,478)</b> | <b>(3,473,776)</b> |
| <b>Net deferred tax assets/(liabilities)</b>                        | <b>(1,995,023)</b> | <b>(2,097,327)</b> | <b>(1,588,177)</b> | <b>(2,076,900)</b> |
| <b>Movement in deferred tax assets/(liabilities)</b>                |                    |                    |                    |                    |
| Opening balance   | (2,097,327)        | (2,000,226)        | (2,067,900)        | (1,968,243)        |
| Charged to income tax expense                                       | 336,885            | 92,544             | 357,304            | 120,713            |
| Charged to equity   | 2,106              | (704,143)          | 2,106              | (665,456)          |
| Movement in tax losses  | (236,687)          | 514,498            | 120,312            | 445,086            |
| <b>Closing balance</b>  | <b>(1,995,023)</b> | <b>(2,097,327)</b> | <b>(1,588,177)</b> | <b>(2,067,900)</b> |

## 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, infrastructure, 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 FRD103H: Non-financial physical assets.

##### Purpose group – Transportation

|  | Consolidated      |                  | Parent            |                  |
|--|-------------------|------------------|-------------------|------------------|
|  | 2021<br>\$'000    | 2020<br>\$'000   | 2021<br>\$'000    | 2020<br>\$'000   |
| <b>Land</b>  |                   |                  |                   |                  |
| Rail corridor land - at fair value                       | 5,843,876         | 5,229,214        | 5,843,876         | 5,229,214        |
| Non-rail corridor land - at fair value                   | 2,541,272         | 2,278,968        | 2,541,272         | 2,278,968        |
| <b>Total land</b>  | <b>8,385,149</b>  | <b>7,508,182</b> | <b>8,385,149</b>  | <b>7,508,182</b> |
| <b>Buildings and structures</b>                          |                   |                  |                   |                  |
| Net fair value   | 8,808,885         | 8,814,920        | 8,808,885         | 8,814,920        |
| Accumulated depreciation                                 | (172,025)         | -                | (172,025)         | -                |
| <b>Carrying amount</b>                                   | <b>8,636,860</b>  | <b>8,814,920</b> | <b>8,636,860</b>  | <b>8,814,920</b> |
| Cost and allocation statement valuation                  | 1,682,187         | -                | 1,682,187         | -                |
| Accumulated depreciation                                 | (14,940)          | -                | (14,940)          | -                |
| <b>Carrying amount</b>                                   | <b>1,667,247</b>  | <b>-</b>         | <b>1,667,247</b>  | <b>-</b>         |
| <b>Total buildings and structures after depreciation</b> | <b>10,304,107</b> | <b>8,814,920</b> | <b>10,304,107</b> | <b>8,814,920</b> |
| <b>Track</b>   |                   |                  |                   |                  |
| Net fair value   | 4,522,269         | 4,522,269        | 4,522,269         | 4,522,269        |
| Accumulated depreciation                                 | (165,198)         | -                | (165,198)         | -                |
| <b>Carrying amount</b>                                   | <b>4,357,071</b>  | <b>4,522,269</b> | <b>4,357,071</b>  | <b>4,522,269</b> |
| Cost and allocation statement valuation                  | 1,380,847         | -                | 1,380,847         | -                |
| Accumulated depreciation                                 | (24,849)          | -                | (24,849)          | -                |
| <b>Carrying amount</b>                                   | <b>1,355,998</b>  | <b>-</b>         | <b>1,355,998</b>  | <b>-</b>         |
| <b>Total track after depreciation</b>                    | <b>5,713,069</b>  | <b>4,522,269</b> | <b>5,713,069</b>  | <b>4,522,269</b> |
| <b>Earthworks</b>  |                   |                  |                   |                  |
| Net fair value   | 4,512,078         | 4,512,078        | 4,512,078         | 4,512,078        |
| <b>Carrying amount</b>                                   | <b>4,512,078</b>  | <b>4,512,078</b> | <b>4,512,078</b>  | <b>4,512,078</b> |
| Cost and allocation statement valuation                  | 505,336           | -                | 505,336           | -                |
| <b>Carrying amount</b>                                   | <b>505,336</b>    | <b>-</b>         | <b>505,336</b>    | <b>-</b>         |
| <b>Total earthworks after depreciation</b>               | <b>5,017,414</b>  | <b>4,512,078</b> | <b>5,017,414</b>  | <b>4,512,078</b> |

|   | Consolidated      |                   | Parent            |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2021<br>\$'000    | 2020<br>\$'000    | 2021<br>\$'000    | 2020<br>\$'000    |
| <b>Signals and communication</b>                                  |                   |                   |                   |                   |
| Net fair value  | 2,686,148         | 2,686,148         | 2,686,148         | 2,686,148         |
| Accumulated depreciation  | (222,640)         | -                 | (222,640)         | -                 |
| <b>Carrying amount</b>  | <b>2,463,508</b>  | <b>2,686,148</b>  | <b>2,463,508</b>  | <b>2,686,148</b>  |
| Cost and allocation statement valuation                           | 1,208,769         | -                 | 1,208,769         | -                 |
| Accumulated depreciation  | (34,381)          | -                 | (34,381)          | -                 |
| <b>Carrying amount</b>  | <b>1,174,388</b>  | <b>-</b>          | <b>1,174,388</b>  | <b>-</b>          |
| <b>Total signals &amp; communication after depreciation</b>       | <b>3,637,896</b>  | <b>2,686,148</b>  | <b>3,637,896</b>  | <b>2,686,148</b>  |
| <b>Plant and equipment</b>  |                   |                   |                   |                   |
| Net fair value  | 5,633,027         | 4,864,196         | 1,341,765         | 1,341,759         |
| Accumulated depreciation  | (267,710)         | -                 | (81,344)          | -                 |
| <b>Carrying amount</b>  | <b>5,365,317</b>  | <b>4,864,196</b>  | <b>1,260,421</b>  | <b>1,341,759</b>  |
| Lease right-of-use net fair value                                 | 2,318             | 2,942             | 2,318             | 2,942             |
| Accumulated depreciation  | (809)             | (796)             | (809)             | (796)             |
| <b>Carrying amount</b>  | <b>1,509</b>      | <b>2,146</b>      | <b>1,509</b>      | <b>2,146</b>      |
| Cost  | 357,615           | -                 | 357,615           | -                 |
| Accumulated depreciation  | (9,039)           | -                 | (9,039)           | -                 |
| <b>Carrying amount</b>  | <b>348,576</b>    | <b>-</b>          | <b>348,576</b>    | <b>-</b>          |
| <b>Total plant and equipment after depreciation</b>               | <b>5,715,402</b>  | <b>4,866,348</b>  | <b>1,610,505</b>  | <b>1,343,911</b>  |
| <b>Intangibles software and licences</b>                          |                   |                   |                   |                   |
| Net fair value  | 275,175           | 275,175           | 275,175           | 275,175           |
| Accumulated amortisation  | (228,113)         | (201,594)         | (228,113)         | (201,594)         |
| <b>Total intangibles software and licences after amortisation</b> | <b>47,062</b>     | <b>73,581</b>     | <b>47,062</b>     | <b>73,581</b>     |
| <b>Capital works in progress</b>                                  |                   |                   |                   |                   |
| Cost  | -                 | 9,049,040         | -                 | 9,049,040         |
| Rolling stock under construction                                  | -                 | 899,724           | -                 | -                 |
| Other   | 254,207           | 189,867           | 254,207           | 189,867           |
| <b>Total capital works in progress</b>                            | <b>254,207</b>    | <b>10,138,631</b> | <b>254,207</b>    | <b>9,238,908</b>  |
| <b>Total property, infrastructure, plant and equipment</b>        | <b>39,074,306</b> | <b>43,122,157</b> | <b>34,969,409</b> | <b>38,699,996</b> |

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

|                                       | Land             | Buildings and structures | Track            | Earthworks       | Signals and communications | Plant and equipment | Intangible - software and licences | WIP               | Total             |
|---------------------------------------|------------------|--------------------------|------------------|------------------|----------------------------|---------------------|------------------------------------|-------------------|-------------------|
|                                       | \$'000           | \$'000                   | \$'000           | \$'000           | \$'000                     | \$'000              | \$'000                             | \$'000            | \$'000            |
| <b>Consolidated</b>                   |                  |                          |                  |                  |                            |                     |                                    |                   |                   |
| <b>2021</b>                           |                  |                          |                  |                  |                            |                     |                                    |                   |                   |
| Carrying amount at 1 July 2020        | 7,508,182        | 8,814,920                | 4,522,269        | 4,512,078        | 2,686,148                  | 4,866,348           | 73,581                             | 10,138,632        | 43,122,160        |
| Additions                             | 3,447            | -                        | -                | -                | -                          | 255                 | -                                  | 630,500           | 634,202           |
| Disposals                             | (2,431)          | (6,035)                  | -                | -                | -                          | (503)               | -                                  | (709,069)         | (718,038)         |
| Asset held for sale                   | -                | -                        | -                | -                | -                          | -                   | -                                  | -                 | -                 |
| Revaluation movement                  | 872,832          | -                        | -                | -                | -                          | (377,036)           | -                                  | -                 | 495,796           |
| Depreciation charge for the year      | -                | (186,965)                | (190,047)        | -                | (257,021)                  | (277,138)           | (26,519)                           | -                 | (937,690)         |
| Transferred from WIP                  | 3,119            | 1,682,187                | 1,380,847        | 505,336          | 1,208,769                  | 1,503,476           | -                                  | (9,805,856)       | (3,522,122)       |
| <b>Carrying value at 30 June 2021</b> | <b>8,385,149</b> | <b>10,304,107</b>        | <b>5,713,069</b> | <b>5,017,414</b> | <b>3,637,896</b>           | <b>5,715,402</b>    | <b>47,062</b>                      | <b>254,207</b>    | <b>39,074,306</b> |
| <b>2020</b>                           |                  |                          |                  |                  |                            |                     |                                    |                   |                   |
| Carrying amount at 1 July 2019        | 5,387,674        | 10,210,312               | 5,789,431        | 2,086,810        | 3,401,155                  | 4,725,587           | 94,070                             | 7,163,140         | 38,858,181        |
| Additions                             | -                | -                        | -                | -                | -                          | 694                 | -                                  | 3,984,445         | 3,985,139         |
| Disposals                             | (6,563)          | (453,887)                | (904,601)        | -                | (506,122)                  | (484,619)           | (4,298)                            | (62,474)          | (2,422,564)       |
| Assets held for sale                  | 1,824            | -                        | -                | -                | -                          | -                   | -                                  | -                 | 1,824             |
| Revaluation movement                  | 1,581,449        | (981,485)                | (207,131)        | 2,425,268        | (73,808)                   | 736,024             | -                                  | -                 | 3,480,317         |
| Depreciation charge for the year      | -                | (128,022)                | (167,032)        | -                | (215,253)                  | (243,974)           | (26,457)                           | -                 | (780,738)         |
| Transferred from WIP                  | 543,798          | 168,002                  | 11,602           | -                | 80,176                     | 132,636             | 10,265                             | (946,479)         | -                 |
| <b>Carrying value at 30 June 2020</b> | <b>7,508,182</b> | <b>8,814,920</b>         | <b>4,522,269</b> | <b>4,512,078</b> | <b>2,686,148</b>           | <b>4,866,348</b>    | <b>73,581</b>                      | <b>10,138,632</b> | <b>43,122,158</b> |

|                                       | Land             | Buildings and structures | Track            | Earthworks       | Signals and communications | Plant and equipment | Intangible - software and licences | WIP              | Total             |
|---------------------------------------|------------------|--------------------------|------------------|------------------|----------------------------|---------------------|------------------------------------|------------------|-------------------|
|                                       | \$'000           | \$'000                   | \$'000           | \$'000           | \$'000                     | \$'000              | \$'000                             | \$'000           | \$'000            |
| <b>Parent</b>                         |                  |                          |                  |                  |                            |                     |                                    |                  |                   |
| <b>2021</b>                           |                  |                          |                  |                  |                            |                     |                                    |                  |                   |
| Carrying amount at 1 July 2020        | 7,508,182        | 8,814,920                | 4,522,269        | 4,512,078        | 2,686,148                  | 1,343,911           | 73,581                             | 9,238,908        | 38,699,998        |
| Additions                             | 3,447            | -                        | -                | -                | -                          | 255                 | -                                  | 281,437          | 285,139           |
| Disposals                             | (2,431)          | (6,035)                  | -                | -                | -                          | (503)               | -                                  | (709,069)        | (718,038)         |
| Asset held for sale                   | -                | -                        | -                | -                | -                          | -                   | -                                  | -                | -                 |
| Revaluation movement                  | 872,832          | -                        | -                | -                | -                          | -                   | -                                  | -                | 872,832           |
| Depreciation charge for the year      | -                | (186,965)                | (190,047)        | -                | (257,021)                  | (90,773)            | (26,519)                           | -                | (751,324)         |
| Transferred from WIP                  | 3,119            | 1,682,187                | 1,380,847        | 505,336          | 1,208,769                  | 357,615             | -                                  | (8,557,069)      | (3,419,196)       |
| <b>Carrying value at 30 June 2021</b> | <b>8,385,149</b> | <b>10,304,107</b>        | <b>5,713,069</b> | <b>5,017,414</b> | <b>3,637,896</b>           | <b>1,610,505</b>    | <b>47,062</b>                      | <b>254,207</b>   | <b>34,696,409</b> |
| <b>2020</b>                           |                  |                          |                  |                  |                            |                     |                                    |                  |                   |
| Carrying amount at 1 July 2019        | 5,387,674        | 10,210,312               | 5,789,431        | 2,086,810        | 3,401,155                  | 1,141,299           | 94,070                             | 6,592,687        | 34,703,439        |
| Additions                             | -                | -                        | -                | -                | -                          | 694                 | -                                  | 3,547,130        | 3,547,824         |
| Disposals                             | (6,563)          | (453,887)                | (904,601)        | -                | (506,122)                  | (355,583)           | (4,298)                            | (62,474)         | (2,293,528)       |
| Asset held for sale                   | 1,824            | -                        | -                | -                | -                          | -                   | -                                  | -                | 1,824             |
| Revaluation movement                  | 1,581,449        | (981,485)                | (207,131)        | 2,425,268        | (73,808)                   | 607,068             | -                                  | -                | 3,351,361         |
| Depreciation charge for the year      | -                | (128,022)                | (167,032)        | -                | (215,253)                  | (74,159)            | (26,457)                           | -                | (610,923)         |
| Transferred from WIP                  | 543,798          | 168,002                  | 11,602           | -                | 80,176                     | 24,592              | 10,265                             | (838,435)        | -                 |
| <b>Carrying value at 30 June 2020</b> | <b>7,508,182</b> | <b>8,814,920</b>         | <b>4,522,269</b> | <b>4,512,078</b> | <b>2,686,148</b>           | <b>1,343,911</b>    | <b>73,581</b>                      | <b>9,238,908</b> | <b>38,699,996</b> |

### Initial recognition

All non-financial physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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 cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

### Significant Judgement

In contracts where the Consolidated Entity is a lessor, it determines whether the lease is an operating lease or finance lease at the inception of the lease. The Consolidated Entity has entered into leases on its infrastructure. The Consolidated Entity has determined that it retains substantially all the significant risks and rewards of ownership of the infrastructure. Thus, at inception the Consolidated Entity has classified the leases as operating leases. Lessor accounting in accordance with AASB 16 is substantially unchanged from the requirements pursuant to the previous standard. Lessors continue to classify all leases using the same classification principles pursuant to the previous standard. (refer to Note 1 Basis of Presentation)

### Right-of-use asset acquired by lessees – Initial measurement

The Consolidated Entity recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

### Right-of-use asset – Subsequent measurement

The Consolidated Entity depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as property, plant and equipment. The right-of-use assets are also subject to revaluation but are not material.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

### Intangible - software & licences

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 2020 by the Valuer-General Victoria ("VGV").

### 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 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, earthworks and plant and equipment

Specialised buildings, infrastructure assets, earthworks and plant and equipment assets are valued using the current 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 certain rolling stocks and motor vehicles that are subject to financing.

Service Concession Assets (Under AASB 1059 – Service Concession Assets: Grantor) – Initial measurement

The Consolidated Entity initially recognises service concession assets at current replacement cost in accordance with the cost approach to fair value AASB 13 Fair Value Measurement.

### High Capacity Metro Trains Project

**Operator:** Evolution Rail Consortium (Evolution Rail)

**Concession period:** 30 years

**Operational funding:** Partial Service Payment (PSP), Quarterly Service Payment (QSP)

In November 2016, the State entered into a project agreement with Evolution Rail. Under the contract, the operator will design, build, commission and finance a fleet of 65 high capacity trains, a depot at Pakenham East (including a train maintenance facility (TMF) and a stabling yard), a light service facility (LSF) at Calder Park and two simulators. The stabling yard will be returned to the State once constructed for on-going maintenance, while Evolution Rail will be responsible for the maintenance of other constructed assets for a period of 30 years, until 2053. The State is contracted to make PSP payments (represents pro-rata payments to Project Co during the phased delivery of the HCMT) commencing from the 5th HCMT to enter service until commencement of the QSP at provisional acceptance of all 65 HCMT sets.

Upon completion of the construction of the assets the Department of Transport on behalf of the State will transfer the assets to the Consolidated Entity. The service concession assets balance as at 30 June 2021 is \$730m (30 June 2020 \$555m). No liabilities have been recorded for service concession assets within the Consolidated Entity. The PSP will be paid by the Department of Transport on behalf of the State and the liabilities will continue to be recognised in the Department of Transport's financial statements.

#### 4.1.1 Depreciation and amortisation

|  | Consolidated   |                | Parent         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Buildings and structures                   | 186,965        | 128,022        | 186,965        | 128,022        |
| Track                                      | 190,047        | 167,032        | 190,047        | 167,032        |
| Signals and communications                 | 257,021        | 215,253        | 257,021        | 215,253        |
| Plant and equipment                        | 277,138        | 243,974        | 90,773         | 74,159         |
| Intangibles software and licences          | 26,519         | 26,457         | 26,519         | 26,457         |
| <b>Total depreciation and amortisation</b> | <b>937,689</b> | <b>780,738</b> | <b>751,324</b> | <b>610,922</b> |

#### 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 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.

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 and structures            | 1.0% to 2.0%       | 100 to 50 years |
| Track                               | 1.0% to 3.3%       | 100 to 30 years |
| Signals and communications          | 2.0% to 14.3%      | 50 to 7 years   |
| Rolling stock (Plant and equipment) | 2.5% to 3.3%       | 40 to 30 years  |
| Plant and equipment (Other)         | 1.25% to 2.0%      | 80 to 50 years  |
| Software and licences               | 3.0% to 14%        | 33 to 7 years   |

Earthworks and land have indefinite life and are not depreciated.

#### 4.1.2 Impairment of non-financial physical assets

The recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

## 5. How we financed our operations

This section provides information on the sources of finance and assets contributed by DoT 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.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.3 provides additional information on specific financial instrument disclosures.

### 5.1 Borrowings

|                                     | Note | Consolidated   |                | Parent         |                |
|-------------------------------------|------|----------------|----------------|----------------|----------------|
|                                     |      | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Secured loan                        |      | 46,937         | 64,462         | 10,000         | -              |
| Lease liability                     | 5.2  | 1,510          | 2,152          | 1,510          | 2,152          |
| <b>Total borrowings</b>             |      | <b>48,447</b>  | <b>66,614</b>  | <b>11,510</b>  | <b>2,152</b>   |
| <b>Reconciled by</b>                |      |                |                |                |                |
| <b>Current</b>                      |      |                |                |                |                |
| Secured loan                        |      | 7,943          | 30,229         | -              | -              |
| Lease liabilities                   |      | 854            | 1,173          | 854            | 1,173          |
| <b>Total current borrowings</b>     |      | <b>8,797</b>   | <b>31,402</b>  | <b>854</b>     | <b>1,173</b>   |
| <b>Non-current</b>                  |      |                |                |                |                |
| Secured loan                        |      | 38,994         | 34,233         | 10,000         | -              |
| Lease liabilities                   |      | 656            | 979            | 656            | 979            |
| <b>Total non-current borrowings</b> |      | <b>39,650</b>  | <b>35,212</b>  | <b>10,656</b>  | <b>979</b>     |
| <b>Total borrowings</b>             |      | <b>48,447</b>  | <b>66,615</b>  | <b>11,510</b>  | <b>2,152</b>   |

'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 Lease liabilities

Information about leases impacting the Consolidated Entity is presented below.

The Consolidated Entity leasing activities

The Consolidated entity leases IT equipment and a building with contract term less than three years. These are short-term and/or leases of low value items. The Consolidated Entity has elected not to recognise the right-of-use assets and lease liabilities for these leases.

The Consolidated Entity leases various rolling stocks and motor vehicles. These contracts have a maturity of less than five years.

### Consolidated Entity as lessee – rolling stocks and motor vehicles

|  | Consolidated   |                | Parent         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Interest expense on lease liabilities  | 37             | 340            | 37             | 57             |
| <b>Total amount recognised in the Comprehensive statement and Statement of Cashflows</b> | <b>37</b>      | <b>340</b>     | <b>37</b>      | <b>57</b>      |
| Within one year  | 854            | 1,173          | 854            | 1,173          |
| One year or later and not later than five years  | 698            | 1,053          | 698            | 1,053          |
| Later than five years  | -              | -              | -              | -              |
| <b>Minimum lease payments</b>  | <b>1,552</b>   | <b>2,226</b>   | <b>1,552</b>   | <b>2,226</b>   |
| <b>Less:</b>   |                |                |                |                |
| Recoverable GST  | -              | -              | -              | -              |
| Future lease charges   | (42)           | (74)           | (42)           | (74)           |
| <b>Present value of minimum lease payments</b>   | <b>1,510</b>   | <b>2,152</b>   | <b>1,510</b>   | <b>2,152</b>   |

For any new contracts the Consolidated Entity considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Consolidated Entity assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Department and for which the supplier does not have substantive substitution rights;
- the department has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the department has the right to direct the use of the identified asset throughout the period of use; and
- the Consolidated Entity has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

### Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

### Recognition and measurement of leases as a lessee

#### Lease Liability – initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Consolidated Entity incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

#### Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

### Short-term leases and leases of low value assets

The Consolidated Entity has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

### Presentation of right-of-use assets and lease liabilities

The Consolidated Entity presents right-of-use assets as 'property plant equipment' unless they are not material to be disclosed in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet.

### Recognition and measurement of leases

Leases of property, plant and equipment where the Consolidated Entity as a lessee had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were 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 were 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.

Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Assets held under other leases were classified as operating leases and were not recognised in the Consolidated Entity balance sheet. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Leases relating to the introduction of new rolling stock have an average lease term of 15 years (2020: 15 years) and an average implicit discount rate of 9.89 per cent (2020: 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 expense includes costs incurred in connection with the borrowing of funds and includes interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of lease repayments, service concession financial liabilities and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Interest expense is recognised in the period in which it is 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.

In accordance with the paragraphs of AASB 123: 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 AASB 1004: 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<br>1 July 2020<br>\$'000 | Transfer in<br>capital<br>\$'000 | Transfer out<br>capital<br>\$'000 | Capital<br>30 June 2021<br>\$'000 |
|---|----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| <b>Assets</b>                                     |                                  |                                  |                                   |                                   |
| 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                    | 27,676,602                       | 585,844                          | (3,522,123)                       | 24,740,323                        |
| <b>Total assets</b>                               | <b>31,701,081</b>                | <b>585,844</b>                   | <b>(3,522,123)</b>                | <b>28,764,802</b>                 |
| <b>Liabilities</b>                                |                                  |                                  |                                   |                                   |
| Provision for employee benefits                   | (6,959)                          | -                                | -                                 | (6,959)                           |
| <b>Total liabilities</b>                          | <b>(6,959)</b>                   | <b>-</b>                         | <b>-</b>                          | <b>(6,959)</b>                    |
| <b>Contributed capital at the end of the year</b> | <b>31,694,121</b>                | <b>585,844</b>                   | <b>(3,522,123)</b>                | <b>28,757,842</b>                 |
| <b>Assets</b>                                     |                                  |                                  |                                   |                                   |
| 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                    | 23,751,783                       | 3,924,819                        | -                                 | 27,676,602                        |
| <b>Total assets</b>                               | <b>27,776,262</b>                | <b>3,924,819</b>                 | <b>-</b>                          | <b>31,701,081</b>                 |
| <b>Liabilities</b>                                |                                  |                                  |                                   |                                   |
| Provision for employee benefits                   | (6,959)                          | -                                | -                                 | (6,959)                           |
| <b>Total liabilities</b>                          | <b>(6,959)</b>                   | <b>-</b>                         | <b>-</b>                          | <b>(6,959)</b>                    |
| <b>Contributed capital at the end of the year</b> | <b>27,769,302</b>                | <b>3,924,819</b>                 | <b>-</b>                          | <b>31,694,121</b>                 |

## 5.4 Equity and movements in equity – Parent Entity contributed capital

|   | Capital<br>1 July 2020<br>\$'000 | Transfer in<br>capital<br>\$'000 | Transfer out<br>capital<br>\$'000 | Capital<br>30 June 2021<br>\$'000 |
|---|----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| <b>Assets</b>                                     |                                  |                                  |                                   |                                   |
| 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                    | 23,715,853                       | 585,844                          | (3,768,260)                       | 20,533,437                        |
| <b>Total assets</b>                               | <b>27,734,301</b>                | <b>585,844</b>                   | <b>(3,768,260)</b>                | <b>24,551,885</b>                 |
| <b>Liabilities</b>                                |                                  |                                  |                                   |                                   |
| Provision for employee benefits                   | (6,959)                          | -                                | -                                 | (6,959)                           |
| <b>Total liabilities</b>                          | <b>(6,959)</b>                   | <b>-</b>                         | <b>-</b>                          | <b>(6,959)</b>                    |
| <b>Contributed capital at the end of the year</b> | <b>27,727,343</b>                | <b>585,844</b>                   | <b>(3,768,260)</b>                | <b>24,544,927</b>                 |
| <b>Assets</b>                                     |                                  |                                  |                                   |                                   |
| 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                    | 20,219,936                       | 3,924,819                        | (428,902)                         | 23,715,853                        |
| <b>Total assets</b>                               | <b>24,238,384</b>                | <b>3,924,819</b>                 | <b>(428,902)</b>                  | <b>27,734,301</b>                 |
| <b>Liabilities</b>                                |                                  |                                  |                                   |                                   |
| Provision for employee benefits                   | (6,959)                          | -                                | -                                 | (6,959)                           |
| <b>Total liabilities</b>                          | <b>(6,959)</b>                   | <b>-</b>                         | <b>-</b>                          | <b>(6,959)</b>                    |
| <b>Contributed capital at the end of the year</b> | <b>24,231,426</b>                | <b>3,924,819</b>                 | <b>(428,902)</b>                  | <b>27,727,343</b>                 |

## 5.5 Cash flow information and balances

## Cash and deposits

|  | Consolidated   |                |                | Parent         |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| General fund                                 | 6,157          | 9,271          | 6,093          | 9,134          |
| Investments Treasury Corporation of Victoria | 43,479         | 44,815         | 42,489         | 43,826         |
| <b>Total cash and deposits</b>               | <b>49,635</b>  | <b>54,086</b>  | <b>48,581</b>  | <b>52,959</b>  |

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 0.00 per cent (2020: 0.00 per cent). Investment with TCV bears interest at 0.05 per cent (2020: 0.20 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.

|   | Consolidated   |                |                | Parent         |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Net result for the period after tax                         | (1,496,825)    | (1,960,792)    | (1,089,922)    | (1,853,276)    |
| <b>Adjustments for non-cash movements:</b>                  |                |                |                |                |
| Depreciation and amortisation of non-current assets         | 937,689        | 780,738        | 751,324        | 610,922        |
| Fair value adjustments                                      | (9)            | (143)          | -              | -              |
| Impairment of Property, infrastructure, plant and equipment | 715,104        | 1,969,578      | 715,104        | 1,848,956      |
| (Gain)/loss on disposal of non-current assets               | (11,173)       | (36,815)       | (11,173)       | (36,815)       |
| <b>Changes in assets/liabilities:</b>                       |                |                |                |                |
| Increase/(decrease) in tax liability                        | (103,139)      | (700,044)      | (479,723)      | (573,483)      |
| Increase/(decrease) in provisions                           | (978)          | (1,048)        | (978)          | (1,048)        |
| (Increase)/decrease in prepayments                          | 338            | (875)          | 338            | (875)          |
| (Increase)/decrease in receivables                          | (10,404)       | 90,812         | 118,317        | 3,010          |
| Increase/(decrease) in other payables                       | 31,724         | 2,875          | 31,652         | 4,600          |
| <b>Net cash flow from/(used in) operating activities</b>    | <b>62,326</b>  | <b>144,286</b> | <b>34,939</b>  | <b>1,991</b>   |

## 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 commitments primarily relates to construction of telecommunications and property assets.

### Capital commitments

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Within one year                                 | 15,262         | 14,861         | 15,262         | 14,861         |
| One year or later and not later than five years | -              | 81             | -              | 81             |
| Later than five years                           | -              | -              | -              | -              |
| <b>Total capital commitments</b>                | <b>15,262</b>  | <b>14,942</b>  | <b>15,262</b>  | <b>14,942</b>  |

### Service concession arrangements

For arrangements within the scope of AASB 1059, at initial recognition the Consolidated Entity records a service concession asset (SCA) at current replacement cost in accordance with the cost approach to fair value under AASB 13 Fair Value Measurement, with a related liability, which could be a financial liability, an accrued revenue liability (referred to as the 'Grant Of A Right To The Operator' or GORTO liability) or a combination of both.

The Consolidated Entity has reviewed all of its arrangements and determined that it has no service concession arrangement commitments as 30 June 2021 (2020 nil). The Consolidated Entity has no associated liability as at 30 June 2021 (2020 nil).

## 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

|  | Consolidated   |                | Parent         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Contractual</b>   |                |                |                |                |
| Receivables  | 46,552         | 34,498         | 46,186         | 163,586        |
| Allowance for impairment losses of contractual receivables | (1,126)        | (210)          | (1,126)        | (210)          |
| <b>Total contractual trade and other receivables</b>       | <b>45,426</b>  | <b>34,288</b>  | <b>45,060</b>  | <b>163,376</b> |
| <b>Reconciled by:</b>                                      |                |                |                |                |
| <b>Current</b>   |                |                |                |                |
| Receivables  | 46,462         | 34,420         | 46,096         | 163,508        |
| Allowance for impairment losses of contractual receivables | (1,126)        | (210)          | (1,126)        | (210)          |
| <b>Total current trade and other receivables</b>           | <b>45,336</b>  | <b>34,210</b>  | <b>44,970</b>  | <b>163,298</b> |
| <b>Non-current</b>   |                |                |                |                |
| Receivables  | 90             | 78             | 90             | 78             |
| Allowance for impairment losses of contractual receivables | -              | -              | -              | -              |
| <b>Total receivables</b>                                   | <b>45,426</b>  | <b>34,288</b>  | <b>45,060</b>  | <b>163,376</b> |

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised cost'. They are initially recognised at fair value plus any directly attributable transaction costs. The Consolidated Entity holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently 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 \$1,126,000 (2020: \$210,000) has been recognised by the Consolidated Entity and \$1,126,000 (2020: \$210,000) 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 \$11,476,000 (2020: \$6,510,000); Parent \$11,476,000 (2020: \$6,510,000).

Movements in the allowance for impairment losses of contractual receivables were as follows:

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| At 1 July   | 210            | 134            | 210            | 134            |
| Increase in provision for impairment recognised during the year | 1,312          | 241            | 1,312          | 241            |
| Receivables written down during the year                        | (396)          | (165)          | (396)          | (165)          |
| Amounts reversed during the year                                | -              | -              | -              | -              |
| <b>Total</b>  | <b>1,126</b>   | <b>210</b>     | <b>1,126</b>   | <b>210</b>     |

### 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

|                                       | Consolidated   |                | Parent         |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Trade and other payables              | 103,752        | 74,625         | 103,031        | 73,930         |
| <b>Total trade and other payables</b> | <b>103,752</b> | <b>74,625</b>  | <b>103,031</b> | <b>73,930</b>  |

#### Reconciled by:

#### Current trade and other payables

##### Contractual

|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Supplies and services                             | 28,025        | 21,384        | 28,025        | 21,384        |
| Amounts payable to government and agencies        | 37,360        | 18,883        | 36,638        | 18,188        |
| Other contractual payables                        | 3,152         | 3,173         | 3,152         | 3,173         |
| <b>Total contractual trade and other payables</b> | <b>68,537</b> | <b>43,440</b> | <b>67,815</b> | <b>42,745</b> |

##### Statutory

|   |                |               |                |               |
|---|----------------|---------------|----------------|---------------|
| FBT payable                                     | 65             | 63            | 65             | 63            |
| GST payable                                     | 2,342          | 1,302         | 2,342          | 1,302         |
| Other statutory payables                        | 30,408         | 27,240        | 30,408         | 27,240        |
| <b>Total statutory trade and other payables</b> | <b>32,815</b>  | <b>28,605</b> | <b>32,815</b>  | <b>28,605</b> |
| <b>Total current trade and other payables</b>   | <b>101,352</b> | <b>72,045</b> | <b>100,631</b> | <b>71,350</b> |

|   | Consolidated   |                | Parent         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Non current trade and other payables</b>       |                |                |                |                |
| <b>Contractual</b>                                |                |                |                |                |
| Supplies and services                             | 2,400          | 2,580          | 2,400          | 2,580          |
| Other contractual payables                        | -              | -              | -              | -              |
| <b>Total non-current trade and other payables</b> | <b>2,400</b>   | <b>2,580</b>   | <b>2,400</b>   | <b>2,580</b>   |
| <b>Total trade and other payables</b>             | <b>103,752</b> | <b>74,625</b>  | <b>103,031</b> | <b>73,930</b>  |

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 arising from contractual payables.

### 6.3 Other provisions

Other provisions amount to \$5.5m (2020: \$4.8m). 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 obligations in relation to legal matters and future maintenance obligations 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.

## 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. The market that the assets are transacted and valued is being impacted by the uncertainty that the COVID-19 outbreak has caused. However, the impact of COVID-19 on the Consolidated Entity asset base is likely to be limited due to long-lived nature of the assets, continued Victorian Government infrastructure stimulus into rail network and the economy is expected to be in recovery mode in the short to medium-term.

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; and
- 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 Valuer-General Victoria 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; and
- 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

|                                   | Carrying Amount<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000   |
|-----------------------------------|---------------------------|-------------------|-------------------|-------------------|-------------------|
| <b>2021</b>                       |                           |                   |                   |                   |                   |
| <b>Consolidated</b>               |                           |                   |                   |                   |                   |
| Land                              | 8,385,149                 | -                 | 656,801           | 7,728,348         | 8,385,149         |
| Buildings and structures          | 10,304,107                | -                 | -                 | 10,304,107        | 10,304,107        |
| Track                             | 5,713,069                 | -                 | -                 | 5,713,069         | 5,713,069         |
| Earthworks                        | 5,017,414                 | -                 | -                 | 5,017,414         | 5,017,414         |
| Signals and communications        | 3,637,896                 | -                 | -                 | 3,637,896         | 3,637,896         |
| Property and equipment            | 5,715,402                 | -                 | -                 | 5,715,402         | 5,715,402         |
| <b>Total non-financial assets</b> | <b>38,773,036</b>         | <b>-</b>          | <b>656,801</b>    | <b>38,116,236</b> | <b>38,773,036</b> |

|                                   |                   |          |                |                   |                   |
|-----------------------------------|-------------------|----------|----------------|-------------------|-------------------|
| <b>2021</b>                       |                   |          |                |                   |                   |
| <b>Parent</b>                     |                   |          |                |                   |                   |
| Land                              | 8,385,149         | -        | 656,801        | 7,728,348         | 8,385,149         |
| Buildings and structures          | 10,304,107        | -        | -              | 10,304,107        | 10,304,107        |
| Track                             | 5,713,069         | -        | -              | 5,713,069         | 5,713,069         |
| Earthworks                        | 5,017,414         | -        | -              | 5,017,414         | 5,017,414         |
| Signals and communications        | 3,637,896         | -        | -              | 3,637,896         | 3,637,896         |
| Property and equipment            | 1,610,505         | -        | -              | 1,610,505         | 1,610,505         |
| <b>Total non-financial assets</b> | <b>34,668,140</b> | <b>-</b> | <b>656,801</b> | <b>34,011,339</b> | <b>34,668,140</b> |

|                                   |                   |          |                |                   |                   |
|-----------------------------------|-------------------|----------|----------------|-------------------|-------------------|
| <b>2020</b>                       |                   |          |                |                   |                   |
| <b>Consolidated</b>               |                   |          |                |                   |                   |
| Land                              | 7,508,182         | -        | 656,801        | 6,851,381         | 7,508,182         |
| Buildings and structures          | 8,814,920         | -        | -              | 8,814,920         | 8,814,920         |
| Track                             | 4,522,269         | -        | -              | 4,522,269         | 4,522,269         |
| Earthworks                        | 4,512,078         | -        | -              | 4,512,078         | 4,512,078         |
| Signals and communications        | 2,686,148         | -        | -              | 2,686,148         | 2,686,148         |
| Property and equipment            | 4,866,348         | -        | -              | 4,866,348         | 4,866,348         |
| <b>Total non-financial assets</b> | <b>32,909,945</b> | <b>-</b> | <b>656,801</b> | <b>32,253,144</b> | <b>32,909,945</b> |

|                                   | Carrying Amount<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000   |
|-----------------------------------|---------------------------|-------------------|-------------------|-------------------|-------------------|
| <b>2020</b>                       |                           |                   |                   |                   |                   |
| <b>Parent</b>                     |                           |                   |                   |                   |                   |
| Land                              | 7,508,182                 | -                 | 656,801           | 6,851,381         | 7,508,182         |
| Buildings and structures          | 8,814,920                 | -                 | -                 | 8,814,920         | 8,814,920         |
| Track                             | 4,522,269                 | -                 | -                 | 4,522,269         | 4,522,269         |
| Earthworks                        | 4,512,078                 | -                 | -                 | 4,512,078         | 4,512,078         |
| Signals and communications        | 2,686,148                 | -                 | -                 | 2,686,148         | 2,686,148         |
| Property and equipment            | 1,343,911                 | -                 | -                 | 1,343,911         | 1,343,911         |
| <b>Total non-financial assets</b> | <b>29,387,508</b>         | <b>-</b>          | <b>656,801</b>    | <b>28,730,707</b> | <b>29,387,508</b> |

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.

There were no transfers between levels 1 and 2, except for land, for recurring fair value measurements during the year. There were no transfers in and out of level 3, except for land, measurements during the year.

**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) where applicable 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. Land that is not subject to CSO has been classified as Level 2 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 2020.

**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 2020.

**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 method.

There were no changes in valuation techniques throughout the period to 30 June 2021.

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 and level 2 items for the period ended 30 June 2021 for recurring fair value measurements:

|                             | Parent & Consolidated |                          |                  |                  |                            |
|-----------------------------|-----------------------|--------------------------|------------------|------------------|----------------------------|
|                             | Land                  | Buildings and structures | Track            | Earthworks       | Signals and communications |
|                             | 2021<br>\$'000        | 2021<br>\$'000           | 2021<br>\$'000   | 2021<br>\$'000   | 2021<br>\$'000             |
| Opening Balance 1 July 2020 | 7,508,182             | 8,814,920                | 4,522,269        | 4,512,078        | 2,686,148                  |
| Additions                   | 3,447                 | -                        | -                | -                | -                          |
| Disposals                   | (2,431)               | (6,035)                  | -                | -                | -                          |
| Asset held for sale         | -                     | -                        | -                | -                | -                          |
| Revaluation movement        | 872,832               | -                        | -                | -                | -                          |
| Depreciation                | -                     | (186,965)                | (190,047)        | -                | (257,021)                  |
| Transfers from WIP          | 3,119                 | 1,682,187                | 1,380,847        | 505,336          | 1,208,769                  |
| <b>Total</b>                | <b>8,385,149</b>      | <b>10,304,107</b>        | <b>5,713,069</b> | <b>5,017,414</b> | <b>3,637,896</b>           |

|                             | Parent              | Consolidated        |
|-----------------------------|---------------------|---------------------|
|                             | Plant and equipment | Plant and equipment |
|                             | 2021<br>\$'000      | 2021<br>\$'000      |
| Opening Balance 1 July 2020 | 1,343,911           | 4,866,348           |
| Additions                   | 255                 | 255                 |
| Disposals                   | (503)               | (503)               |
| Revaluation movement        | -                   | (377,036)           |
| Depreciation                | (90,773)            | (277,138)           |
| Transfer from WIP           | 357,615             | 1,503,476           |
| <b>Total</b>                | <b>1,610,505</b>    | <b>5,715,402</b>    |

|                             | Parent & Consolidated |                          |                  |                  |                  |
|-----------------------------|-----------------------|--------------------------|------------------|------------------|------------------|
|                             | Land                  | Buildings and structures | Track            | Earthworks       | Signals and      |
|                             | 2020<br>\$'000        | 2020<br>\$'000           | 2020<br>\$'000   | 2020<br>\$'000   | 2020<br>\$'000   |
| Opening Balance 1 July 2019 | 5,387,674             | 10,210,312               | 5,789,431        | 2,086,810        | 3,401,155        |
| Additions                   | -                     | -                        | -                | -                | -                |
| Disposals                   | (6,563)               | (453,887)                | (904,601)        | -                | (506,122)        |
| Assets held for sale        | 1,824                 | -                        | -                | -                | -                |
| Revaluation movement        | 1,581,449             | (981,485)                | (207,131)        | 2,425,268        | (73,808)         |
| Depreciation                | -                     | (128,022)                | (167,032)        | -                | (215,253)        |
| Transfers from WIP          | 543,798               | 168,002                  | 11,602           | -                | 80,176           |
| <b>Total</b>                | <b>7,508,182</b>      | <b>8,814,920</b>         | <b>4,522,269</b> | <b>4,512,078</b> | <b>2,686,148</b> |

|                             | Parent              | Consolidated        |
|-----------------------------|---------------------|---------------------|
|                             | Plant and equipment | Plant and equipment |
|                             | 2020<br>\$'000      | 2020<br>\$'000      |
| Opening Balance 1 July 2019 | 1,141,299           | 4,725,587           |
| Additions                   | 694                 | 694                 |
| Disposals                   | (355,583)           | (484,619)           |
| Revaluation movement        | 607,068             | 736,024             |
| Depreciation                | (74,159)            | (243,974)           |
| Transfer from WIP           | 24,592              | 132,636             |
| <b>Total</b>                | <b>1,343,911</b>    | <b>4,866,348</b>    |

### 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 and consolidated - Land                       | Market approach              | Sales evidence, Unit of value by comparative basis (\$ per m <sup>2</sup> )<br>Discounted by Community Service Obligation<br>Rail corridor land – 75% to 95%<br>Non-Rail corridor land – 5% to 95% |
| Parent and consolidated – Buildings and structures   | Depreciated replacement cost | Direct cost per square metre<br>Useful life of buildings and structures  |
| Parent and consolidated – Track                      | Depreciated replacement cost | Cost per unit of construction<br>Useful life of track  |
| Parent and consolidated – Earthwork                  | Depreciated replacement cost | Cost per unit of construction  |
| Parent and consolidated – Signals and communications | Depreciated replacement cost | Cost per unit of construction<br>Useful life of signals and communications   |
| Parent and consolidated – Plant and equipment        | Depreciated replacement cost | Cost per unit of construction<br>Useful life of plant and equipment  |

### 7.1.2 Fair value determination 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; and
- 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 2020–21 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.

### Fair value of financial instruments measured at amortised cost

|                                    | 2021                      |                          | 2020                      |                          |
|------------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
|                                    | Carrying amount<br>\$'000 | Net fair value<br>\$'000 | Carrying amount<br>\$'000 | Net fair value<br>\$'000 |
| <b>Consolidated</b>                |                           |                          |                           |                          |
| <b>Financial assets</b>            |                           |                          |                           |                          |
| Cash assets                        | 49,635                    | 49,635                   | 54,086                    | 54,086                   |
| Other financial assets             | 100                       | 100                      | 100                       | 100                      |
| Trade and other receivables        | 45,426                    | 45,426                   | 34,288                    | 34,288                   |
| <b>Total financial assets</b>      | <b>95,161</b>             | <b>95,161</b>            | <b>88,474</b>             | <b>88,474</b>            |
| <b>Financial liabilities</b>       |                           |                          |                           |                          |
| Trade and other payables           | (70,937)                  | (70,937)                 | (46,020)                  | (46,020)                 |
| Borrowings                         | (48,447)                  | (59,114)                 | (66,615)                  | (79,380)                 |
| <b>Total financial liabilities</b> | <b>(119,384)</b>          | <b>(130,051)</b>         | <b>(112,635)</b>          | <b>(125,400)</b>         |
| <b>Net financial assets</b>        | <b>(24,223)</b>           | <b>(34,890)</b>          | <b>(24,161)</b>           | <b>(36,926)</b>          |
| <b>Parent</b>                      |                           |                          |                           |                          |
| <b>Financial assets</b>            |                           |                          |                           |                          |
| Cash assets                        | 48,581                    | 48,581                   | 52,959                    | 52,959                   |
| Trade and other receivables        | 45,060                    | 45,060                   | 163,376                   | 163,376                  |
| <b>Total financial assets</b>      | <b>93,641</b>             | <b>93,641</b>            | <b>216,336</b>            | <b>216,336</b>           |
| <b>Financial liabilities</b>       |                           |                          |                           |                          |
| Trade and other payables           | (70,215)                  | (70,215)                 | (45,325)                  | (45,325)                 |
| Borrowings                         | (11,510)                  | (11,510)                 | (2,152)                   | (2,152)                  |
| <b>Total financial liabilities</b> | <b>(81,725)</b>           | <b>(81,725)</b>          | <b>(47,477)</b>           | <b>(47,478)</b>          |
| <b>Net financial assets</b>        | <b>11,916</b>             | <b>11,916</b>            | <b>168,858</b>            | <b>168,858</b>           |

## 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

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Consolidated Entity has no contingent assets as at 30 June 2021 and 30 June 2020.

### Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

### Non-quantifiable contingent liabilities

A number of potential obligations are non-quantifiable at this time arising from:

- indemnities provided in relation to transactions, including financial arrangements and consultancy services, as well as for directors and administrators;
- performance guarantees, warranties, letters of comfort and the like; and
- deeds in respect of certain obligations

There are no known material contingent liabilities currently non quantifiable.

### 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 (now Head, Transport for Victoria)

Created in 1997, VicTrack is a state-owned business operating under the *Transport Integration Act 2010 (Vic)* (TIA). VicTrack owns Victoria's railway land, infrastructure and assets, including Victoria's transport telecommunications network (Assets). Through a subsidiary, the Rolling Stock Holdings group of companies, VicTrack also owns much of the State's rolling stock. Rolling Stock Holdings (RSH) owns the majority of the State's rolling stock (trains and trams). Pursuant to the TIA, the Department of Transport (DoT) transfers ownership of transport-related assets to VicTrack which are accounted for and recorded as equity contributions.

VicTrack leases a substantial portion of the Assets to Transport for Victoria (TfV), known previously as Public Transport Victoria\* (PTV). The staff, statutory functions and powers of PTV (now TfV) have been transferred or delegated to the DoT under relevant statutory instruments under the TIA and the *Public Administration Act 2004 (Vic)*. TfV in turn sub-leases the same Assets to the State's train and tram franchisees – Metro Trains, Yarra Trams, V/Line (Franchisees). VicTrack leases certain regional Assets to TfV who then subleases those Assets to the Australian Rail Track Corporation. RSH leases rolling stock to TfV under an overarching lease. TfV then subleases the rolling stock to the Franchisees under individual rolling stock leases.

We note that VicTrack's insurer, the Victorian Managed Insurance Authority (VMIA) does not recommend the inclusion of indemnity or insurance clauses when VMIA clients deal with each other. This is on the assumption that common law will apply and that each VMIA client is sufficiently covered for foreseeable losses and liabilities that may come about. Under the lease terms with TfV, VicTrack grants an indemnity in favour of TfV against liabilities and claims arising from a pre-existing contamination in VicTrack Land or failure by VicTrack to comply with its obligations under a clean-up notice with respect to any such pre-existing contamination. VicTrack considers such grant of indemnity reasonable on the basis that the Franchisees who are end-users of the Assets are private entities, even if they may also be a client of VMIA.

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 or arbitral proceedings. The majority of these relate either to third party public liability claims for personal injury arising from use of or access to VicTrack owned station and rail infrastructure, or to disputes arising under contracts for works.

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 number of these claims is limited by the excess stated in the relevant insurance policy that is held with the Victorian Managed Insurance Authority. The maximum financial effects in all the above cases cannot be reasonably estimated at the time of print.

### 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 assets

##### Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Consolidated Entity to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The Consolidated Entity recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

##### Financial assets at fair value through other comprehensive income

Debt investments are measured at fair value through other comprehensive income if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Consolidated Entity to achieve its objective both by collecting the contractual cash flows and by selling the financial assets, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

Equity investments are measured at fair value through other comprehensive income if the assets are not held for trading and the Consolidated Entity has irrevocably elected at initial recognition to recognise in this category.

These assets are initially recognised at fair value with subsequent change in fair value in other comprehensive income.

Upon disposal of these debt instruments, any related balance in the fair value reserve is reclassified to profit or loss. However, upon disposal of these equity instruments, any related balance in fair value reserve is reclassified to retained earnings.

##### Financial assets at fair value through net result

Equity instruments that are held for trading as well as derivative instruments are classified as fair value through net result. Other financial assets are required to be measured at fair value through net result unless they are measured at amortised cost or fair value through other comprehensive income as explained above.

However, as an exception to those rules above, the Consolidated Entity may, at initial recognition, irrevocably designate financial assets as measured at fair value through net result if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Consolidated Entity recognises listed equity securities as mandatorily measured at fair value through net result and designated all of its managed investment schemes as well as certain 5-year government bonds as fair value through net result.

#### Categories of financial liabilities

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through net result on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows unless the changes in fair value relate to changes in the Consolidated Entity's own credit risk. In this case, the portion of the change attributable to changes in the Consolidated Entity's own credit risk is recognised in other comprehensive income with no subsequent recycling to net result when the financial liability is derecognised.

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); and
- borrowings (including lease liabilities).

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

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.

Derecognition 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 derecognised when:

- the rights to receive cash flows from the asset have expired; or
- 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; or
- 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; or
  - 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.

Derecognition 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 derecognition 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.

Reclassification of financial instruments: Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when the Consolidated Entity's business model for managing its financial assets has changed such that its previous model would no longer apply.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

### 7.3.1 Categorisation of financial instruments:

|   | Cash and deposits<br>\$'000 | Financial assets<br>at amortised<br>cost (AC)<br>\$'000 | Financial liabilities<br>at amortised<br>cost (AC)<br>\$'000 | Total<br>\$'000 |
|---|-----------------------------|---|--|-----------------|
| <b>Consolidated 2021</b>                  |                             |   |  |                 |
| <b>Contractual financial assets</b>       |                             |   |  |                 |
| Cash and deposits                         | 49,635                      | -   | -  | 49,635          |
| Other financial assets                    | -                           | 100   | -  | 100             |
| Trade and other receivables               | -                           | 45,426  | -  | 45,426          |
| <b>Total contractual financial assets</b> | <b>49,635</b>               | <b>45,526</b>   | <b>-</b>   | <b>95,161</b>   |
| <b>Contractual financial liabilities</b>  |                             |   |  |                 |
| Trade and other payables                  | -                           | -   | 70,937   | 70,937          |
| Secured loan                              | -                           | -   | 46,937   | 46,937          |
| Lease liabilities                         | -                           | -   | 1,510  | 1,510           |
| <b>Total contractual liabilities</b>      | <b>-</b>                    | <b>-</b>  | <b>119,384</b>   | <b>119,384</b>  |
| <b>Consolidated 2020</b>                  |                             |   |  |                 |
| <b>Contractual financial assets</b>       |                             |   |  |                 |
| Cash and deposits                         | 54,086                      | -   | -  | 54,086          |
| Other financial assets                    | -                           | 100   | -  | 100             |
| Trade and other receivables               | -                           | 34,288  | -  | 34,288          |
| <b>Total contractual financial assets</b> | <b>54,086</b>               | <b>34,388</b>   | <b>-</b>   | <b>88,474</b>   |
| <b>Contractual financial liabilities</b>  |                             |   |  |                 |
| Trade and other payables                  | -                           | -   | 46,020   | 46,020          |
| Secured loan                              | -                           | -   | 64,462   | 64,462          |
| Lease liability                           | -                           | -   | 2,152  | 2,152           |
| <b>Total contractual liabilities</b>      | <b>-</b>                    | <b>-</b>  | <b>112,634</b>   | <b>112,634</b>  |

|   | Cash and deposits<br>\$'000 | Financial assets at amortised cost (AC)<br>\$'000 | Financial liabilities at amortised cost (AC)<br>\$'000 | Total<br>\$'000 |
|---|-----------------------------|---|--|-----------------|
| <b>Parent 2021</b>                        |                             |   |  |                 |
| <b>Contractual financial assets</b>       |                             |   |  |                 |
| Cash and deposits                         | 48,581                      | -   | -  | 48,581          |
| Other financial assets                    | -                           | -   | -  | -               |
| Trade and other receivables               | -                           | 45,060  | -  | 45,060          |
| <b>Total contractual financial assets</b> | <b>48,581</b>               | <b>45,060</b>                                     | <b>-</b>   | <b>93,641</b>   |
| <b>Contractual financial liabilities</b>  |                             |   |  |                 |
| Trade and other payables                  | -                           | -   | 70,215   | 70,215          |
| Secured loan                              | -                           | -   | 10,000   | 10,000          |
| Lease liabilities                         | -                           | -   | 1,510  | 1,510           |
| <b>Total contractual liabilities</b>      | <b>-</b>                    | <b>-</b>  | <b>81,725</b>  | <b>81,725</b>   |
| <b>Parent 2020</b>                        |                             |   |  |                 |
| <b>Contractual financial assets</b>       |                             |   |  |                 |
| Cash and deposits                         | 52,959                      | -   | -  | 52,959          |
| Other financial assets                    | -                           | -   | -  | -               |
| Trade and other receivables               | -                           | 163,376   | -  | 163,376         |
| <b>Total contractual financial assets</b> | <b>52,959</b>               | <b>163,376</b>                                    | <b>-</b>   | <b>216,335</b>  |
| <b>Contractual financial liabilities</b>  |                             |   |  |                 |
| Trade and other payables                  | -                           | -   | 45,325   | 45,325          |
| Lease liabilities                         | -                           | -   | 2,152  | 2,152           |
| <b>Total contractual liabilities</b>      | <b>-</b>                    | <b>-</b>  | <b>47,477</b>  | <b>47,477</b>   |

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

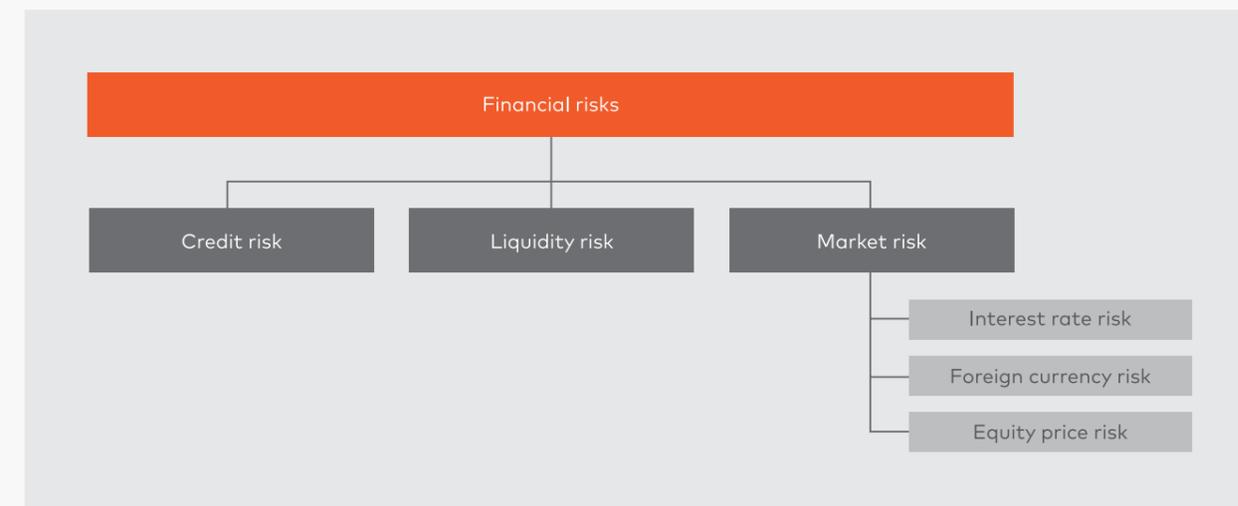
|   | Net holding gain/(loss)<br>\$'000 | Total interest income/<br>expense<br>\$'000 | Fee income/<br>(expense)<br>\$'000 | Impairment loss<br>\$'000 | Total<br>\$'000 |
|---|-----------------------------------|---|------------------------------------|---------------------------|-----------------|
| <b>Consolidated 2021</b>  |                                   |   |                                    |                           |                 |
| <b>Contractual financial assets</b>   |                                   |   |                                    |                           |                 |
| Equity investments designated at fair value through other comprehensive income – recognised in other comprehensive income | -                                 | -   | -                                  | -                         | -               |
| Financial assets at amortised cost – other than on derecognition  | -                                 | 76  | -                                  | (1,126)                   | (1,050)         |
| <b>Total contractual financial assets</b>   | <b>-</b>                          | <b>76</b>                                   | <b>-</b>                           | <b>(1,126)</b>            | <b>(1,050)</b>  |
| <b>Contractual financial liabilities</b>  |                                   |   |                                    |                           |                 |
| Financial liabilities at amortised cost   | -                                 | 3,322                                       | -                                  | -                         | 3,322           |
| Financial liabilities designated at fair value through profit/loss  | -                                 | -   | -                                  | -                         | -               |
| <b>Total contractual liabilities</b>  | <b>-</b>                          | <b>3,322</b>                                | <b>-</b>                           | <b>-</b>                  | <b>3,322</b>    |
| <b>Consolidated 2020</b>  |                                   |   |                                    |                           |                 |
| <b>Contractual financial assets</b>   |                                   |   |                                    |                           |                 |
| Equity investments designated at fair value through other comprehensive income – recognised in other comprehensive income | -                                 | -   | -                                  | -                         | -               |
| Financial assets at amortised cost – other than on derecognition  | -                                 | 1,333                                       | -                                  | (210)                     | 1,123           |
| <b>Total contractual financial assets</b>   | <b>-</b>                          | <b>1,333</b>                                | <b>-</b>                           | <b>(210)</b>              | <b>1,123</b>    |
| <b>Contractual financial liabilities</b>  |                                   |   |                                    |                           |                 |
| Financial liabilities at amortised cost   | -                                 | 9,448                                       | -                                  | -                         | 9,448           |
| Financial liabilities designated at fair value through profit/loss  | -                                 | -   | -                                  | -                         | -               |
| <b>Total contractual liabilities</b>  | <b>-</b>                          | <b>9,448</b>                                | <b>-</b>                           | <b>-</b>                  | <b>9,448</b>    |

|   | Net holding gain/(loss)<br>\$'000 | Total interest income/expense<br>\$'000 | Fee income/(expense)<br>\$'000 | Impairment loss<br>\$'000 | Total<br>\$'000 |
|---|-----------------------------------|---|--------------------------------|---------------------------|-----------------|
| <b>Parent 2021</b>  |                                   |   |                                |                           |                 |
| <b>Contractual financial assets</b>   |                                   |   |                                |                           |                 |
| Equity investments designated at fair value through other comprehensive income – recognised in other comprehensive income | -                                 | -                                       | -                              | -                         | -               |
| Financial assets at amortised cost – other than on derecognition  | -                                 | 75                                      | -                              | (1,126)                   | (1,051)         |
| <b>Total contractual financial assets</b>   | <b>-</b>                          | <b>75</b>                               | <b>-</b>                       | <b>(1,126)</b>            | <b>(1,051)</b>  |
| <b>Contractual financial liabilities</b>  |                                   |   |                                |                           |                 |
| Financial liabilities at amortised cost   | -                                 | 74                                      | -                              | -                         | 74              |
| Financial liabilities designated at fair value through profit/loss  | -                                 | -                                       | -                              | -                         | -               |
| <b>Total contractual liabilities</b>  | <b>-</b>                          | <b>74</b>                               | <b>-</b>                       | <b>-</b>                  | <b>74</b>       |
| <b>Parent 2020</b>  |                                   |   |                                |                           |                 |
| <b>Contractual financial assets</b>   |                                   |   |                                |                           |                 |
| Equity investments designated at fair value through other comprehensive income – recognised in other comprehensive income | -                                 | -                                       | -                              | -                         | -               |
| Financial assets at amortised cost – other than on derecognition  | -                                 | 1,326                                   | -                              | (210)                     | 1,116           |
| <b>Total contractual financial assets</b>   | <b>-</b>                          | <b>1,326</b>                            | <b>-</b>                       | <b>(210)</b>              | <b>1,116</b>    |
| <b>Contractual financial liabilities</b>  |                                   |   |                                |                           |                 |
| Financial liabilities at amortised cost   | -                                 | 57                                      | -                              | -                         | 57              |
| Financial liabilities designated at fair value through profit/loss  | -                                 | -                                       | -                              | -                         | -               |
| <b>Total contractual liabilities</b>  | <b>-</b>                          | <b>57</b>                               | <b>-</b>                       | <b>-</b>                  | <b>57</b>       |

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

- for cash and cash equivalents, financial assets at amortised cost and debt instruments that are classified as financial assets at fair value through other comprehensive income, the net gain or loss is calculated by taking the movement in the fair value of the asset, 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; and
- for financial asset and liabilities that are mandatorily measured at or designated at fair value through net result, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

### 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 manages these financial risks in accordance with its financial risk management policy.

The Consolidated Entity 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 TCW and established financial institutions.

Exposure to interest rate risk on liabilities is through the loan borrowing 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 2021 was 0.05 per cent (2020: 0.46 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 (2020: 5.15 per cent).

|                                    | Weighted average effective interest rate % | Carrying amount \$'000 | Fixed interest rate \$'000 | Variable interest rate \$'000 | Non Interest bearing \$'000 |
|------------------------------------|--|------------------------|----------------------------|-------------------------------|-----------------------------|
| <b>Consolidated</b>                |  |                        |                            |                               |                             |
| <b>2021</b>                        |  |                        |                            |                               |                             |
| <b>Financial assets</b>            |  |                        |                            |                               |                             |
| Cash and deposits                  | 0.05                                       | 49,635                 | -                          | 49,635                        | -                           |
| Other financial assets             | 5.15                                       | 100                    | 100                        | -                             | -                           |
| Trade and other receivables        | n/a  | 45,426                 | -                          | -                             | 45,426                      |
| <b>Total financial assets</b>      |  | <b>95,161</b>          | <b>100</b>                 | <b>49,635</b>                 | <b>45,426</b>               |
| <b>Financial liabilities</b>       |  |                        |                            |                               |                             |
| Trade and other payables           | n/a  | 70,937                 | -                          | -                             | 70,937                      |
| Secured loan                       | 0.265 - 6.59                               | 46,937                 | 46,937                     | -                             | -                           |
| Lease liabilities                  | 3.15                                       | 1,510                  | 1,510                      | -                             | -                           |
| <b>Total financial liabilities</b> |  | <b>119,384</b>         | <b>48,447</b>              | <b>-</b>                      | <b>70,937</b>               |
| <b>Consolidated</b>                |  |                        |                            |                               |                             |
| <b>2020</b>                        |  |                        |                            |                               |                             |
| <b>Financial assets</b>            |  |                        |                            |                               |                             |
| Cash and deposits                  | 0.46                                       | 54,086                 | -                          | 54,086                        | -                           |
| Other financial assets             | 5.15                                       | 100                    | 100                        | -                             | -                           |
| Trade and other receivables        | n/a  | 34,288                 | -                          | -                             | 34,288                      |
| <b>Total financial assets</b>      |  | <b>88,474</b>          | <b>100</b>                 | <b>54,086</b>                 | <b>34,288</b>               |
| <b>Financial liabilities</b>       |  |                        |                            |                               |                             |
| Trade and other payables           | n/a  | 46,020                 | -                          | -                             | 46,020                      |
| Secured loan                       | 5.37 - 6.59                                | 64,462                 | 64,462                     | -                             | -                           |
| Lease liabilities                  | 3.15                                       | 2,152                  | 2,152                      | -                             | -                           |
| <b>Total financial liabilities</b> |  | <b>112,634</b>         | <b>66,614</b>              | <b>-</b>                      | <b>46,020</b>               |

## Interest rate exposure of financial instruments

|                                    | Weighted average effective interest rate % | Carrying amount \$'000 | Fixed interest rate \$'000 | Variable interest rate \$'000 | Non Interest bearing \$'000 |
|------------------------------------|--|------------------------|----------------------------|-------------------------------|-----------------------------|
| <b>Parent</b>                      |  |                        |                            |                               |                             |
| <b>2021</b>                        |  |                        |                            |                               |                             |
| <b>Financial assets</b>            |  |                        |                            |                               |                             |
| Cash and deposits                  | 0.05                                       | 48,581                 | -                          | 48,581                        | -                           |
| Trade and other receivables        | n/a  | 45,060                 | -                          | -                             | 45,060                      |
| <b>Total financial assets</b>      |  | <b>93,641</b>          | <b>-</b>                   | <b>48,581</b>                 | <b>45,060</b>               |
| <b>Financial liabilities</b>       |  |                        |                            |                               |                             |
| Trade and other payables           | n/a  | 70,215                 | -                          | -                             | 70,215                      |
| Secured loan                       | 0.265                                      | 10,000                 | 10,000                     | -                             | -                           |
| Lease liabilities                  | 3.15                                       | 1,510                  | 1,510                      | -                             | -                           |
| <b>Total financial liabilities</b> |  | <b>81,725</b>          | <b>11,510</b>              | <b>-</b>                      | <b>70,215</b>               |
| <b>Parent</b>                      |  |                        |                            |                               |                             |
| <b>2020</b>                        |  |                        |                            |                               |                             |
| <b>Financial assets</b>            |  |                        |                            |                               |                             |
| Cash and deposits                  | 0.47                                       | 52,959                 | -                          | 52,959                        | -                           |
| Trade and other receivables        | n/a  | 163,376                | -                          | -                             | 163,376                     |
| <b>Total financial assets</b>      |  | <b>216,335</b>         | <b>-</b>                   | <b>52,959</b>                 | <b>163,376</b>              |
| <b>Financial liabilities</b>       |  |                        |                            |                               |                             |
| Trade and other payables           | n/a  | 45,325                 | -                          | -                             | 45,325                      |
| Lease liabilities                  | 3.15                                       | 2,152                  | 2,152                      | -                             | -                           |
| <b>Total financial liabilities</b> |  | <b>47,477</b>          | <b>2,152</b>               | <b>-</b>                      | <b>45,325</b>               |

### 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 variables 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 (2020: 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.

|                                  | Carrying amount<br>subject to interest | Interest rate risk |                   |
|----------------------------------|--|--------------------|-------------------|
|                                  |  | -1%                | 1%                |
|                                  | \$'000                                 | Net result \$'000  | Net result \$'000 |
| <b>Consolidated</b>              |  |                    |                   |
| <b>2021</b>                      |  |                    |                   |
| <b>Financial assets</b>          |  |                    |                   |
| Cash assets                      | 49,635                                 | (496)              | 496               |
| <b>Total increase/(decrease)</b> |  | <b>(496)</b>       | <b>496</b>        |

|                                  |        |              |            |
|----------------------------------|--------|--------------|------------|
| <b>2020</b>                      |        |              |            |
| <b>Financial assets</b>          |        |              |            |
| Cash assets                      | 54,086 | (541)        | 541        |
| <b>Total increase/(decrease)</b> |        | <b>(541)</b> | <b>541</b> |

|                                  | Carrying amount<br>subject to interest | Interest rate risk |                   |
|----------------------------------|--|--------------------|-------------------|
|                                  |  | -1%                | 1%                |
|                                  | \$'000                                 | Net result \$'000  | Net result \$'000 |
| <b>Parent</b>                    |  |                    |                   |
| <b>2021</b>                      |  |                    |                   |
| <b>Financial assets</b>          |  |                    |                   |
| Cash assets                      | 48,581                                 | (486)              | 486               |
| <b>Total increase/(decrease)</b> |  | <b>(486)</b>       | <b>486</b>        |

|                                  |        |              |            |
|----------------------------------|--------|--------------|------------|
| <b>2020</b>                      |        |              |            |
| <b>Financial assets</b>          |        |              |            |
| Cash assets                      | 52,959 | (530)        | 530        |
| <b>Total increase/(decrease)</b> |        | <b>(530)</b> | <b>530</b> |

### Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The Consolidated Entity's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Consolidated Entity. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Consolidated Entity's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the government, it is the Consolidated Entity's policy to only deal with entities with high credit ratings of a minimum triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

In addition, the Consolidated Entity does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the Consolidated Entity's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Consolidated Entity will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 60 days overdue, and changes in debtor credit ratings.

Contract financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off by mutual consent is classified as a transaction expense. Bad debt written off following a unilateral decision is recognised as other economic flows in the net result.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Consolidated Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to the Consolidated Entity's credit risk profile in 2020–21.

### 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<br>(AA- credit rating)<br>\$'000 | Government agencies (AAA<br>credit rating)<br>\$'000 | Other<br>(unrated)<br>\$'000 | Total<br>\$'000 |
|-----------------------------|---|--|------------------------------|-----------------|
| <b>2021</b>                 |   |  |                              |                 |
| <b>Consolidated</b>         |   |  |                              |                 |
| Cash and deposits           | 6,157   | 43,479   | -                            | 49,635          |
| Trade and other receivables | -   | -  | 45,426                       | 45,426          |
| Other financial assets      | 100   | -  | -                            | 100             |
| <b>Total consolidated</b>   | <b>6,257</b>  | <b>43,479</b>  | <b>45,426</b>                | <b>95,161</b>   |
| <b>Parent</b>               |   |  |                              |                 |
| Cash and deposits           | 6,093   | 42,489   | -                            | 48,581          |
| Trade and other receivables | -   | -  | 45,060                       | 45,060          |
| Other financial assets      | -   | -  | -                            | -               |
| <b>Total parent</b>         | <b>6,093</b>  | <b>42,489</b>  | <b>45,060</b>                | <b>93,641</b>   |
| <b>2020</b>                 |   |  |                              |                 |
| <b>Consolidated</b>         |   |  |                              |                 |
| Cash and deposits           | 9,271   | 44,815   | -                            | 54,086          |
| Trade and other receivables | -   | -  | 34,288                       | 34,288          |
| Other financial assets      | 100   | -  | -                            | 100             |
| <b>Total consolidated</b>   | <b>9,371</b>  | <b>44,815</b>  | <b>34,288</b>                | <b>88,474</b>   |
| <b>Parent</b>               |   |  |                              |                 |
| Cash and deposits           | 9,134   | 43,826   | -                            | 52,959          |
| Trade and other receivables | -   | -  | 163,376                      | 163,376         |
| Other financial assets      | -   | -  | -                            | -               |
| <b>Total parent</b>         | <b>9,134</b>  | <b>43,826</b>  | <b>163,376</b>               | <b>216,335</b>  |

### Impairment of financial assets under AASB 9

The Consolidated Entity records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the Consolidated Entity's contractual receivables.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Although not a financial asset, contract assets recognised applying AASB 15 are also subject to impairment however it is immaterial.

### Ageing analysis of contractual financial assets

|                               | Carrying amount<br>\$'000 | Not past due and not<br>impaired<br>\$'000 | Past due but not impaired |                          |                            | Impaired<br>financial<br>assets<br>\$'000 |
|-------------------------------|---------------------------|--|---------------------------|--------------------------|----------------------------|---|
|                               |                           |  | 1-90<br>days<br>\$'000    | 91-180<br>days<br>\$'000 | Over 180<br>days<br>\$'000 |   |
| <b>Consolidated 2021</b>      |                           |  |                           |                          |                            |   |
| <b>Financial assets</b>       |                           |  |                           |                          |                            |   |
| Cash and deposits             | 49,635                    | 49,635                                     | -                         | -                        | -                          | -   |
| Other financial assets        | 100                       | 100  | -                         | -                        | -                          | -   |
| Trade and other receivables   | 45,426                    | 33,950                                     | 9,826                     | 796                      | 854                        | (1,126)                                   |
| <b>Total financial assets</b> | <b>95,161</b>             | <b>83,685</b>                              | <b>9,826</b>              | <b>796</b>               | <b>854</b>                 | <b>(1,126)</b>                            |
| <b>Parent</b>                 |                           |  |                           |                          |                            |   |
| <b>Financial assets</b>       |                           |  |                           |                          |                            |   |
| Cash and deposits             | 48,581                    | 48,581                                     | -                         | -                        | -                          | -   |
| Other financial assets        | -                         | -  | -                         | -                        | -                          | -   |
| Trade and other receivables   | 45,060                    | 33,584                                     | 9,826                     | 796                      | 854                        | (1,126)                                   |
| <b>Total financial assets</b> | <b>93,641</b>             | <b>82,165</b>                              | <b>9,826</b>              | <b>796</b>               | <b>854</b>                 | <b>(1,126)</b>                            |
| <b>Consolidated 2020</b>      |                           |  |                           |                          |                            |   |
| <b>Financial assets</b>       |                           |  |                           |                          |                            |   |
| Cash and deposits             | 54,086                    | 54,086                                     | -                         | -                        | -                          | -   |
| Other financial assets        | 100                       | 100  | -                         | -                        | -                          | -   |
| Trade and other receivables   | 34,288                    | 27,778                                     | 6,037                     | 570                      | (97)                       | (210)                                     |
| <b>Total financial assets</b> | <b>88,474</b>             | <b>81,964</b>                              | <b>6,037</b>              | <b>570</b>               | <b>(97)</b>                | <b>(210)</b>                              |
| <b>Parent</b>                 |                           |  |                           |                          |                            |   |
| <b>Financial assets</b>       |                           |  |                           |                          |                            |   |
| Cash and deposits             | 52,959                    | 52,959                                     | -                         | -                        | -                          | -   |
| Other financial assets        | -                         | -  | -                         | -                        | -                          | -   |
| Trade and other receivables   | 163,376                   | 156,866                                    | 6,037                     | 570                      | (97)                       | (210)                                     |
| <b>Total financial assets</b> | <b>216,335</b>            | <b>209,825</b>                             | <b>6,037</b>              | <b>570</b>               | <b>(97)</b>                | <b>(210)</b>                              |

## Liquidity risk

Liquidity risk arises when the Consolidated Entity is unable to meet its financial obligations as they fall 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 \$27 million (2020: \$33 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<br>\$'000 | Between 1 year and 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total contractual cash flows<br>\$'000 | Carrying amount<br>\$'000 |
|---|----------------------------|--------------------------------------|------------------------|--|---------------------------|
| <b>Consolidated 2021</b>                        |                            |                                      |                        |  |                           |
| <b>Liquid financial assets</b>                  |                            |                                      |                        |  |                           |
| Cash assets                                     | 49,635                     | -                                    | -                      | 49,635                                 | 49,635                    |
| Trade and other receivables                     | 45,426                     | -                                    | -                      | 45,426                                 | 45,426                    |
| Other financial assets                          | -                          | 100                                  | -                      | 100                                    | 100                       |
| <b>Total financial assets</b>                   | <b>95,061</b>              | <b>100</b>                           | <b>-</b>               | <b>95,161</b>                          | <b>95,161</b>             |
| <b>Financial liabilities</b>                    |                            |                                      |                        |  |                           |
| Trade and other payables                        | 70,937                     | -                                    | -                      | 70,937                                 | 70,937                    |
| Secured loan                                    | 7,943                      | 38,994                               | -                      | 46,937                                 | 46,937                    |
| Finance lease                                   | 854                        | 656                                  | -                      | 1,510                                  | 1,510                     |
| <b>Total financial liabilities</b>              | <b>79,734</b>              | <b>39,650</b>                        | <b>-</b>               | <b>119,384</b>                         | <b>119,384</b>            |
| <b>Net inflow/(outflow)</b>                     | <b>15,327</b>              | <b>(39,550)</b>                      | <b>-</b>               | <b>(24,223)</b>                        | <b>(24,223)</b>           |
| <b>Consolidated 2020</b>                        |                            |                                      |                        |  |                           |
| <b>Liquid financial assets</b>                  |                            |                                      |                        |  |                           |
| Cash assets                                     | 54,086                     | -                                    | -                      | 54,086                                 | 54,086                    |
| Trade and other receivables                     | 34,288                     | -                                    | -                      | 34,288                                 | 34,288                    |
| Other financial assets                          | -                          | 100                                  | -                      | 100                                    | 100                       |
| <b>Total financial assets</b>                   | <b>88,374</b>              | <b>100</b>                           | <b>-</b>               | <b>88,474</b>                          | <b>88,474</b>             |

| Contractual maturities of financial instruments | Less than 1 year<br>\$'000 | Between 1 year and 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total contractual cash flows<br>\$'000 | Carrying amount<br>\$'000 |
|---|----------------------------|--------------------------------------|------------------------|--|---------------------------|
| <b>Financial liabilities</b>                    |                            |                                      |                        |  |                           |
| Trade and other payables                        | 46,020                     | -                                    | -                      | 46,020                                 | 46,020                    |
| Secured loan                                    | 30,229                     | 34,234                               | -                      | 64,463                                 | 64,463                    |
| Finance lease                                   | 1,127                      | 1,025                                | -                      | 2,152                                  | 2,152                     |
| <b>Total financial liabilities</b>              | <b>77,376</b>              | <b>35,259</b>                        | <b>-</b>               | <b>112,635</b>                         | <b>112,635</b>            |
| <b>Net inflow/(outflow)</b>                     | <b>10,998</b>              | <b>(35,159)</b>                      | <b>-</b>               | <b>(24,161)</b>                        | <b>(24,161)</b>           |
| <b>Parent 2021</b>                              |                            |                                      |                        |  |                           |
| <b>Liquid financial assets</b>                  |                            |                                      |                        |  |                           |
| Cash assets                                     | 48,581                     | -                                    | -                      | 48,581                                 | 48,581                    |
| Trade and other receivables                     | 45,060                     | -                                    | -                      | 45,060                                 | 45,060                    |
| Other financial assets                          | -                          | -                                    | -                      | -                                      | -                         |
| <b>Total financial assets</b>                   | <b>93,641</b>              | <b>-</b>                             | <b>-</b>               | <b>93,641</b>                          | <b>93,641</b>             |
| <b>Financial liabilities</b>                    |                            |                                      |                        |  |                           |
| Trade and other payables                        | 70,215                     | -                                    | -                      | 70,215                                 | 70,215                    |
| Secured loan                                    | -                          | 10,000                               | -                      | 10,000                                 | 10,000                    |
| Finance lease                                   | 854                        | 656                                  | -                      | 1,510                                  | 1,510                     |
| <b>Total financial liabilities</b>              | <b>71,069</b>              | <b>10,656</b>                        | <b>-</b>               | <b>81,725</b>                          | <b>81,725</b>             |
| <b>Net inflow/(outflow)</b>                     | <b>22,572</b>              | <b>(10,656)</b>                      | <b>-</b>               | <b>11,916</b>                          | <b>11,916</b>             |
| <b>Parent 2020</b>                              |                            |                                      |                        |  |                           |
| <b>Liquid financial assets</b>                  |                            |                                      |                        |  |                           |
| Cash assets                                     | 52,959                     | -                                    | -                      | 52,959                                 | 52,959                    |
| Trade and other receivables                     | 163,376                    | -                                    | -                      | 163,376                                | 163,376                   |
| Other financial assets                          | -                          | -                                    | -                      | -                                      | -                         |
| <b>Total financial assets</b>                   | <b>216,335</b>             | <b>-</b>                             | <b>-</b>               | <b>216,335</b>                         | <b>216,335</b>            |
| <b>Financial liabilities</b>                    |                            |                                      |                        |  |                           |
| Trade and other payables                        | 42,938                     | -                                    | -                      | 42,938                                 | 42,938                    |
| Secured loan                                    | -                          | -                                    | -                      | -                                      | -                         |
| Finance lease                                   | 1,127                      | 1,025                                | -                      | 2,152                                  | 2,152                     |
| <b>Total financial liabilities</b>              | <b>44,065</b>              | <b>1,025</b>                         | <b>-</b>               | <b>45,090</b>                          | <b>45,090</b>             |
| <b>Net inflow/(outflow)</b>                     | <b>172,270</b>             | <b>(1,025)</b>                       | <b>-</b>               | <b>171,245</b>                         | <b>171,245</b>            |

## 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 Assistant Treasurer 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 Transport Infrastructure

The Hon Ben Carroll MP, Minister for Public Transport (from June 2020)

The Hon Tim Pallas MP, Treasurer

#### Directors

| Director          | Appointment                 | Retired           |
|-------------------|-----------------------------|-------------------|
| Geraldine Gray    | 1 July 2018 – Chair         |                   |
|                   | 1 April 2018 – Deputy Chair |                   |
|                   | 1 July 2015 – Director      |                   |
| Alan Hall         | 1 April 2018 – Deputy Chair |                   |
|                   | 1 July 2015 – Director      |                   |
| Paula Allen       | 1 April 2016 – Director     | 30 September 2020 |
| Dr Collette Burke | 1 July 2015 – Director      |                   |
| Jenny Dawson      | 1 October 2020 – Director   |                   |
| Dan O'Brien       | 1 August 2018 – Director    |                   |
| Randall Straw     | 1 September 2017 – Director | 31 August 2021    |
| Paul White        | 1 September 2017 – Director |                   |

#### 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   |          |
|------------------------|--------------|----------|----------|----------|
|                        | 2021 No.     | 2020 No. | 2021 No. | 2020 No. |
| Less than \$10,000     | 1            | 1        | 1        | 1        |
| \$10,000 to \$19,999   | 1            | -        | 1        | -        |
| \$40,000 to \$49,999   | 1            | -        | 1        | -        |
| \$50,000 to \$59,999   | 3            | 4        | 3        | 4        |
| \$90,000 to \$99,999   | 1            | 1        | 1        | 1        |
| \$520,000 to \$529,999 | -            | 1        | -        | 1        |
| \$610,000 to \$619,999 | 1            | -        | 1        | -        |

Total remuneration of responsible persons: \$939,910 (2020: \$837,886)

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 2021 year included the total salary package received during the year and a performance bonus relating to the 30 June 2020 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 below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined in AASB 119 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, bonuses 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.

Termination benefits include termination of employment payments, such as severance packages.

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.

| Remuneration of executive officers           | Total remuneration |              |
|--|--------------------|--------------|
|  | 2021               | 2020         |
| Short term employee benefits                 | 6,431              | 4,214        |
| Post-employment benefits                     | 529                | 371          |
| Other long-term benefits                     | 213                | 90           |
| Termination benefits                         | 272                | 187          |
| <b>Total remuneration</b>                    | <b>7,445</b>       | <b>4,862</b> |
| <b>Total number of executives</b>            | <b>31</b>          | <b>22</b>    |
| <b>Total annualised employee equivalents</b> | <b>26.4</b>        | <b>19.3</b>  |

### 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 |      |
|---|--------------------------|---|------|
|   |                          | 2021  | 2020 |
| Rolling Stock Holdings (Victoria) Pty Limited | Australia                | 100%  | 100% |
| - Rolling Stock (Victoria - VL) Pty Limited   | 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  | 2021<br>\$000 | 2020<br>\$000 |
|---|---------------|---------------|
| <b>Department of Transport (DoT)</b>  |               |               |
| Contributions received for repayment of borrowings in relation to acquisition of rolling stocks   | 18,734        | 124,579       |
| Net equity contributions received / (returned)  | (2,936,279)   | 3,924,819     |
| Infrastructure management, construction and other services provided                               | 21,473        | 29,986        |
| Receivables for infrastructure management, construction and other services provided               | 10,816        | 2,208         |
| <b>Treasury Corporation of Victoria (TCV)</b>   |               |               |
| Interest expense paid during the financial for loans in relation to acquisition of rolling stocks | 2,833         | 3,666         |
| Cash and deposits with TCV as at 30 June  | 43,479        | 44,815        |
| Loan balances owed to TCV as at 30 June   | 46,581        | 34,233        |
| <b>V/Line Corporation</b>   |               |               |
| Leasing of rolling stock to V/Line Corporation through the State of Victoria                      | 10,667        | 26,327        |
| Telecommunication and other services provided   | 16,422        | 15,884        |
| Receivables for telecommunication and other services provided                                     | 1,836         | 536           |
| <b>Department of Treasury and Finance (DTF)</b>   |               |               |
| Capital asset charge  | 2,567,023     | 2,383,847     |

### 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                 |
| Chris Olds             | Deputy Chief Executive                                |
| Lee Anne Harris        | Executive General Manager Business Services           |
| Anna Vourtsis          | Executive General Manager Communications & Engagement |
| Kristen Georgakopoulos | Executive General Manager People & Culture            |
| Peter Chau             | Executive General Manager Property Group              |
| Bruce Moore            | Executive General Manager Telecommunications Group    |
| Ian Burton             | Executive General Manager Project Delivery Group      |

### Key management personnel compensation

| Compensation of KMPs         | 2021<br>\$'000 | 2020<br>\$'000 |
|------------------------------|----------------|----------------|
| Short term employee benefits | 3,172          | 2,486          |
| Post-employment benefits     | 200            | 173            |
| Other long-term benefits     | 41             | 86             |
| <b>Total</b>                 | <b>3,413</b>   | <b>2,745</b>   |

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 existing at 30 June 2021 (2020: 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           |                    |
|---|------------------|--------------------|------------------|--------------------|
|   | 2021<br>\$'000   | 2020<br>\$'000     | 2021<br>\$'000   | 2020<br>\$'000     |
| <b>Net gain/(loss) on non-financial assets</b>                  |                  |                    |                  |                    |
| Impairment of property, plant and equipment                     | (715,104)        | (1,969,578)        | (715,104)        | (1,848,956)        |
| Net gain on disposal of property, plant and equipment           | 11,173           | 36,815             | 11,173           | 36,815             |
| <b>Total net gain/(loss) on non-financial assets</b>            | <b>(703,931)</b> | <b>(1,932,763)</b> | <b>(703,931)</b> | <b>(1,812,141)</b> |
| <b>Other gains/(losses) from other economic flows</b>           |                  |                    |                  |                    |
| Other gains/(losses) from revaluation of long service liability | 468              | (269)              | 468              | (269)              |
| Allowance for impairment losses of contractual receivables      | (917)            | (76)               | (917)            | (76)               |
| <b>Total other gains/(losses) from other economic flows</b>     | <b>(449)</b>     | <b>(345)</b>       | <b>(449)</b>     | <b>(345)</b>       |

#### 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         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2021<br>\$'000 | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>Non-current assets</b>                                     |                |                |                |                |
| Land held for sale  | 454            | 781            | 454            | 781            |
| <b>Total non-financial assets classified as held for sale</b> | <b>454</b>     | <b>781</b>     | <b>454</b>     | <b>781</b>     |

#### 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 \$257,750 (2020: \$252,100) for the Consolidated Entity and \$184,000 (2020: \$180,000) for the parent entity.

### 8.8 Subsequent events

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

#### Contributions by owners

Consistent with the requirements of AASB 1004 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 Department.

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.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

#### 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 161 of the *Transport Integration Act 2010*, 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 2020 and 30 June 2021.

#### 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 (2020: 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 accounting standards and interpretations issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2020–21 reporting period. These accounting standards have not been applied to the Financial Statements. The Consolidated Entity is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non Current

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date to defer the application by one year to periods beginning on or after 1 January 2023. The Consolidated Entity will not early adopt the Standard.

The Consolidated Entity is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on the Consolidated Entity's reporting.

- AASB 17 Insurance Contracts.
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.
- AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.
- AASB 2020-7 Amendments to Australian Accounting Standards – Covid-19-Rent Related Concessions: Tier 2 Disclosures.
- AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform – Phase 2.
- AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments.

### 8.11 Adjustment to comparative amounts for asset revaluation

During 2020–21, the consolidated entity engaged the Valuer-General Victoria to perform a revaluation of its infrastructure assets which were previously valued under the indirect method. The revaluation was dated 30 June 2020 and the comparative amounts were updated with the new values. As part of the revaluation, depreciation expense was adjusted for non-depreciable assets. The impact on the consolidated operating statement and balance sheet is displayed below. There was no impact on the consolidated cash flow statement.

### Impact of adjustment on the consolidated operating statement

|  | For the period ended 30 June 2020 (restated) | Adjustment       | For the period ended 30 June 2020 as previously stated |
|--|--|------------------|--|
| <b>Continuing Operations</b>                                   |  |                  |  |
| Revenue and income from transactions                           |  |                  |  |
| Telecommunication services                                     | 56,694                                       |                  | 56,694   |
| Property related income  | 31,995                                       |                  | 31,995   |
| Services received free of charge                               | 26,236                                       |                  | 26,236   |
| Government contributions towards capital and related work      | 132,914                                      |                  | 132,914  |
| Other income   | 87,827                                       |                  | 87,827   |
| Capital asset charge   | 2,383,847                                    |                  | 2,383,847  |
| <b>Total income from transactions</b>                          | <b>2,719,513</b>                             |                  | <b>2,719,513</b>                                       |
| <b>Expenses from transactions:</b>                             |  |                  |  |
| Employee benefits  | 50,876                                       |                  | 50,876   |
| Depreciation and amortisation                                  | 780,738                                      | 26,933           | 753,805  |
| Finance costs  | 9,448  |                  | 9,448  |
| Capital asset charge   | 2,383,847                                    |                  | 2,383,847  |
| Supplies and services  | 71,244                                       |                  | 71,244   |
| Other expenses from ordinary activities                        | 58,086                                       |                  | 58,086   |
| <b>Total expenses from transactions</b>                        | <b>3,354,238</b>                             | <b>26,933</b>    | <b>3,327,305</b>                                       |
| <b>Net result from transactions (net operating balance)</b>    | <b>(634,725)</b>                             | <b>(26,933)</b>  | <b>(607,792)</b>                                       |
| <b>Other economic flows included in net result:</b>            |  |                  |  |
| <b>Net gain/(loss) on non-financial assets</b>                 | <b>(1,932,763)</b>                           |                  | <b>(1,932,763)</b>                                     |
| Other gains/(losses) from other economic flows                 | (345)  |                  | (345)  |
| <b>Total other economic flows included in net result</b>       | <b>(1,933,108)</b>                           |                  | <b>(1,933,108)</b>                                     |
| <b>Net result from continuing operations before tax</b>        | <b>(2,567,833)</b>                           | <b>(26,933)</b>  | <b>(2,540,900)</b>                                     |
| Tax equivalent benefit   | 607,041                                      |                  | 607,041  |
| <b>Net result</b>  | <b>(1,960,792)</b>                           | <b>(26,933)</b>  | <b>(1,933,859)</b>                                     |
| <b>Other economic flows - other comprehensive income</b>       |  |                  |  |
| Items that will not be reclassified to net results             |  |                  |  |
| Changes in physical asset revaluation surplus                  | 3,036,234                                    | (886,285)        | 3,922,519  |
| Income tax on physical asset revaluation surplus               | (704,143)                                    |                  | (704,143)  |
| <b>Total other economic flows - other comprehensive income</b> | <b>2,332,091</b>                             | <b>(886,285)</b> | <b>3,218,376</b>                                       |
| <b>Comprehensive result</b>                                    | <b>371,299</b>                               | <b>(913,217)</b> | <b>1,284,517</b>                                       |

## Impact of adjustment on the consolidated balance sheet

|  | For the<br>period ended<br>30 June 2020<br>(restated) | Adjustment       | For the period<br>ended 30<br>June 2020 as<br>previously stated |
|--|---|------------------|---|
| <b>Assets</b>                                    |   |                  |   |
| <b>Financial assets</b>                          |   |                  |   |
| Cash and deposits                                | 54,086  |                  | 54,086  |
| Other financial assets                           | 100   |                  | 100   |
| Trade and other receivables                      | 34,288  |                  | 34,288  |
| <b>Total financial assets</b>                    | <b>88,474</b>   |                  | <b>88,474</b>   |
| <b>Non-financial assets</b>                      |   |                  |   |
| Prepayments                                      | 4,861   |                  | 4,861   |
| Property, infrastructure, plant and equipment    | 43,122,157  | (913,217)        | 44,035,375  |
| Non-financial assets classified as held for sale | 781   |                  | 781   |
| <b>Total non-financial assets</b>                | <b>43,127,800</b>                                     | <b>(913,217)</b> | <b>44,041,018</b>   |
| <b>Total assets</b>                              | <b>43,216,275</b>                                     | <b>(913,217)</b> | <b>44,129,492</b>   |
| <b>Liabilities</b>                               |   |                  |   |
| Trade and other payables                         | 74,624  |                  | 74,624  |
| Employee related provisions                      | 14,473  |                  | 14,473  |
| Other provisions                                 | 4,765   |                  | 4,765   |
| Borrowings                                       | 66,615  |                  | 66,615  |
| Deferred tax liability                           | 2,097,327   |                  | 2,097,327   |
| <b>Total liabilities</b>                         | <b>2,257,806</b>                                      |                  | <b>2,257,806</b>  |
| <b>Net assets</b>                                | <b>40,958,471</b>                                     | <b>(913,217)</b> | <b>41,871,688</b>   |
| <b>Equity</b>                                    |   |                  |   |
| Contributed capital                              | 31,694,121  |                  | 31,694,121  |
| Physical asset revaluation surplus               | 13,923,081  | (886,284)        | 14,809,365  |
| Accumulated surplus/(deficit)                    | (4,658,731)   | (26,933)         | (4,631,798)   |
| <b>Net worth</b>                                 | <b>40,958,471</b>                                     | <b>(913,217)</b> | <b>41,871,688</b>   |

## 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; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (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; or
  - 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; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (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; or
  - 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; and

(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 conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

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 Consolidated Entity.

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.



## Independent Auditor's Report

### To the Board of Victorian Rail Track

|                                  |  |
|----------------------------------|--|
| <b>Adverse Opinion</b>           | <p>I have audited the consolidated financial report of Victorian Rail Track (the entity) and its controlled entities (together the consolidated entity), which comprises the:</p> <ul style="list-style-type: none"> <li>consolidated entity and entity balance sheet as at 30 June 2021</li> <li>consolidated entity and entity comprehensive operating statement for the year then ended</li> <li>consolidated entity and entity statement of changes in equity for the year then ended</li> <li>consolidated entity and entity cash flow statement for the year then ended</li> <li>notes to the financial statements, including significant accounting policies</li> <li>declaration by Chair, Accountable Officer and Executive General Manager Business.</li> </ul> <p>In my opinion, because of the significance of matters discussed in the Basis for Adverse Opinion section of my report, the financial report does not present fairly in all material respects in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards the:</p> <ul style="list-style-type: none"> <li>financial positions of the consolidated entity and the entity as at 30 June 2021, and</li> <li>financial performance and cash flows of the consolidated entity and the entity for the year then ended.</li> </ul> |
| <b>Basis for Adverse Opinion</b> | <p>The entity is the custodial holder of the State of Victoria's operational transport assets including land, stations, track, rolling stock and signalling systems. The entity leases all operational transport assets to the Department of Transport, which uses these assets to run the State's transport network. The lease arrangements are significantly below market terms and conditions to enable the Department of Transport to meet its objectives.</p> <p>As explained in Note 4.1 and 1b, the entity has classified the arrangements as operating leases under AASB 16 <i>Leases</i> for 30 June 2021. Consistent with the prior year, I have assessed these leases as finance leases under AASB 16 because the Department of Transport has substantially all the risks and rewards of ownership of these assets.</p> <p>If the finance lease requirements of AASB 16 had been applied, the entity would be required to:</p> <ul style="list-style-type: none"> <li>de-recognise the operational transport assets leased to the Department of Transport and all related transactions and balances from its comprehensive income statement and balance sheet, and</li> <li>recognise a receivable at an amount equal to the net investment of the lease, which is insignificant at 30 June 2021 because the arrangement is below market terms and conditions.</li> </ul>                     |

|  |   |
|--|---|
| <b>Basis for Adverse Opinion continued</b>               | <p>The balances and transactions that should not be recognised in the financial report are:</p> <p><b>Comprehensive Income Statement (Consolidated)</b></p> <ul style="list-style-type: none"> <li>Government contributions towards capital and related work</li> <li>Capital asset charge (income and expense)</li> <li>Depreciation and amortisation</li> <li>Net gain/(loss) on non-financial assets</li> <li>Tax equivalent benefit</li> <li>Change in physical asset revaluation surplus</li> <li>Income tax on physical asset revaluation surplus</li> </ul> <p><b>Balance Sheet (Consolidated)</b></p> <ul style="list-style-type: none"> <li>Property, plant and equipment</li> <li>Deferred tax liability</li> <li>Physical asset revaluation surplus.</li> </ul> <p>The impact of not removing the operational transport assets and all related transactions and balances from the financial report is material and pervasive. Further, I have not been able to identify all individual assets from the collective operational transport assets leased to the Department of Transport because of limitations in the underlying asset records at the entity.</p> <p>Based on the above the value of the operational transport assets and all associated transactions and balances in the financial report cannot be relied upon as they do not present fairly in all material respects.</p> <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. 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 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.</p> |
| <b>Board's responsibilities for the financial report</b> | <p>The Board of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, 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.</p> <p>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.</p>  |

**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 my 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  
21 September 2021

Simone Bohan  
*as delegate for the Auditor-General of Victoria*

## Governance and organisation



> Image: FiBridge installation

## 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 the Minister for Public Transport, Minister for Transport Infrastructure 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 as the VicTrack Board, with responsibility for the relevant company.

## Board composition

As of 30 June 2021, the Board comprised six independent, non-executive Directors: Geraldine Gray (Chair), Alan Hall (Deputy Chair), Dr Collette Burke, Jenny Dawson, Dan O’Brien, and Randall Straw. Each Director has wide experience across various sectors and organisations, and together they bring a diverse range of knowledge and business expertise to VicTrack.

Paula Allen retired as a VicTrack Director with effect from close 30 September 2020. Jenny Dawson was appointed as a VicTrack Director with effect from 1 October 2020.

## Board meetings

VicTrack held 14 Board meetings during the 2020–21 financial year.

## Board performance

In accordance with the Board Charter, the Board is required to conduct an annual review to evaluate its performance.

## 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 and the delegations are set out in the accompanying Authorisations Register. Any amendments to delegations set out in the Authorisations Register are approved by the Board.

## Corporate plan

VicTrack is required, under the *Transport Integration Act 2010* (TIA) and the *State Owned Enterprises Act 1992*, to prepare a corporate plan for Ministerial approval. The purpose of the plan is to give effect to VicTrack’s objectives, while supporting the vision of the TIA and Department of Transport’s corporate plan. VicTrack’s corporate plan must include challenges, priorities and strategies, linked to initiatives and performance measures. The corporate plan is to be agreed between the Board, the Minister for Transport Infrastructure, and Minister for Public Transport, and the Treasurer.

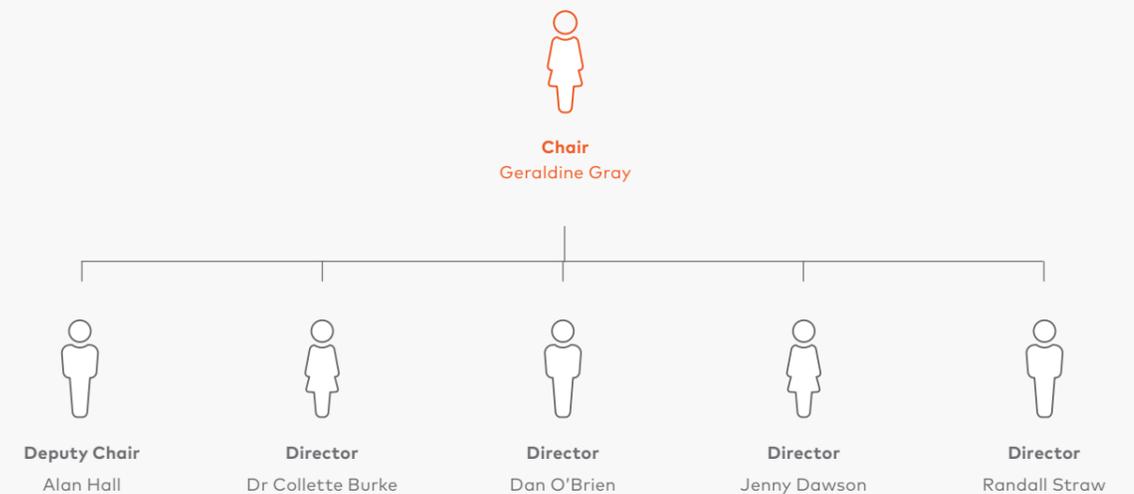
VicTrack’s Corporate Plan 2021–25 sets out a prudent and proactive approach to managing our business through this period of uncertainty brought about by the economic and social impacts of COVID-19. To control costs and cash flow for the next four years, VicTrack has prioritised key corporate initiatives and aligned its 2021–25 budget against them.

Challenges, risks and external factors influencing VicTrack’s operations are also included and, importantly, how we intend to adapt and respond to our operating environment.

Over the next four years, in addition to supporting the government’s significant transport agenda, VicTrack has a number of key priorities. These include:

- continuing our investment into managing our assets and maximising sustainable revenue opportunities
- managing asset obsolescence through the modernisation of our telecommunications network with the TGSN project
- driving VicTrack’s innovation agenda to reduce cost and open new opportunities to generate new revenue streams
- ensuring a resilient, engaged and capable workforce and delivering efficiencies and more flexible ways of working.

## Board organisational chart



# Board committees and advisory groups as of 30 June 2021

Five Board committees and two advisory groups assisted the Board to perform its role during the past financial year. Each is chaired by a Director and has a formal charter or terms of reference setting out its roles and responsibilities.

As of 30 June 2021, the members of the five Board sub-committees and the two advisory groups were:

## Audit and Risk Management Committee (ARMC)

### Membership

Paula Allen (Chair) (resigned 30 September 2020), Jenny Dawson (Chair) (appointed 12 October 2020), Geraldine Gray, Dan O'Brien and Non-Director Specialist Member Paul White

### Role

The Audit and Risk Management Committee assists the Board to fulfil its obligations in regard to financial reporting and governance as well as overseeing the internal and external audit functions along with the processes, structures and reporting for risk management, compliance and internal controls.

## Remuneration and Human Resources and Integrity Committee (RHRIC)

### Membership

Geraldine Gray (Chair) and Alan Hall.

### Role

The Remuneration, Human Resources and Integrity Committee assists the Board by overseeing VicTrack's strategic workforce management and the remuneration, bonus and incentive frameworks for VicTrack's Chief Executive and employees.

During the year the scope of the committee was expanded to include promoting integrity and accountability within VicTrack and in doing so oversee management's response to incidents of, or investigations into, corrupt, inappropriate or unethical activities and in reflection of this expanded objective, the name of the committee was amended from the Remuneration and Human Resources Committee to the Remuneration, Human Resources and Integrity Committee.

## Property, Environment and Heritage Committee (PEHC)

### Membership

Alan Hall (Chair), Paula Allen (resigned 30 September 2020), Jenny Dawson (appointed 12 October 2020), Non-Director Specialist Member Michael Trumble and Non-Director Government Member Stuart Moseley.

### Role

The Property, Environment and Heritage Committee assists the Board by overseeing VicTrack's strategic management of property assets, heritage assets and environmental management.

## Telecommunications Committee (TLC)

### Membership

Randall Straw (Chair), Dr Collette Burke, Non-Director Specialist Members Dr Frank Heibel (reappointed on 19 September 2020) and Richard Tait.

### Role

The Telecommunications Committee assists the Board by overseeing VicTrack's strategic management of its telecommunications infrastructure.

## Projects Committee (PROJC)

### Membership

Dr Collette Burke (Chair), Geraldine Gray and Alan Hall.

### Role

The Projects Committee assists the Board by monitoring VicTrack's project portfolio and major projects delivery strategy, performance and investments along with reviewing project risks and VicTrack's major projects pipeline.

## Freight and Logistics Advisory Group (FLAG)

### Membership

Alan Hall (Chair), Non-Director Specialist Members Professor Hermione Parsons (reappointed on 19 March 2021), Ingilby Dickson (reappointed on 19 March 2021), Michael Trumble and John Crofts.

### Role

The Freight and Logistics Advisory Group assists the Board and management by advising on VicTrack's strategic management of freight operations and planning.

## Strategic Innovation Advisory Group (SIAG)

### Membership

Alan Hall (Chair) (appointed 30 July 2020), Geraldine Gray (appointed 30 July 2020), Non-Director Specialist Member Kee Wong (appointed 30 July 2020) and Non-Director Government Members Collette Burke (in her capacity as Victorian Chief Engineer, appointed 30 July 2020 and resigned 21 October 2020), Chris Barrett (appointed 30 July 2020 and resigned 16 February 2021), Amanda Caples (appointed 30 July 2020), Kevin Doherty (appointed 30 July 2020 and resigned 19 October 2020) and Cressida Wall (appointed 11 March 2021).

### Role

The Board established the Strategic Innovation Advisory Group at its meeting held on 30 July 2020.

The Strategic Innovation Advisory Group assists the Board and management by advising on championing innovation to reduce cost and open new opportunities to generate revenue streams.

## Board and committee meetings report

| Member                   | Note | Board | ARMC | PEHC | TLC | RHRIC | PROJ | FLAG | SIAG |
|--------------------------|------|-------|------|------|-----|-------|------|------|------|
| Meetings held            |      | 14    | 8    | 4    | 5   | 11    | 2    | 4    | 3    |
| Directors                |      |       |      |      |     |       |      |      |      |
| Geraldine Gray (Chair)   | (1)  | 13    | 7    | -    | 1   | 11    | 2    | -    | 3    |
| Alan Hall (Deputy Chair) | (2)  | 14    | -    | 4    | -   | 11    | 2    | 4    | 3    |
| Paula Allen              | (3)  | 5     | 5    | 1    | -   | -     | -    | -    | -    |
| Dr Collette Burke        | (4)  | 11    | -    | -    | 4   | -     | 2    | -    | 1    |
| Jenny Dawson             | (5)  | 9     | 3    | 3    | -   | -     | -    | -    | -    |
| Dan O'Brien              | (6)  | 14    | 8    | -    | -   | -     | -    | -    | -    |
| Randall Straw            |      | 14    | -    | -    | 5   | -     | -    | -    | -    |
| Non-directors            |      |       |      |      |     |       |      |      |      |
| Chris Barrett            | (7)  | n/a   | -    | -    | -   | -     | -    | -    | 2    |
| Amanda Caples            | (8)  | n/a   | -    | -    | -   | -     | -    | -    | 3    |
| John Crofts              |      | n/a   | -    | -    | -   | -     | -    | 4    | -    |
| Ingilby Dickson          |      | n/a   | -    | -    | -   | -     | -    | 4    | -    |
| Kevin Doherty            | (9)  | n/a   | -    | -    | -   | -     | -    | -    | 1    |
| Frank Heibel             | (10) | n/a   | -    | -    | 5   | -     | -    | -    | -    |
| Stuart Moseley           |      | n/a   | -    | 3    | -   | -     | -    | -    | -    |
| Prof. Hermione Parsons   |      | n/a   | -    | -    | -   | -     | -    | 4    | -    |
| Richard Tait             |      | n/a   | -    | -    | 5   | -     | -    | -    | -    |
| Michael Trumble          |      | n/a   | -    | 4    | -   | -     | -    | 4    | -    |
| Cressida Wall            | (11) | n/a   | -    | -    | -   | -     | -    | -    | 1    |
| Kee Wong                 | (12) | n/a   | -    | -    | -   | -     | -    | -    | 3    |
| Paul White               |      | n/a   | 8    | -    | -   | -     | -    | -    | -    |

1. Reappointed as a Director and Chairperson on 1 October 2020. Appointed as a member of SIAG on 30 July 2020. Appointed as a Director member delegate for one TLMC meeting.
2. Appointed Chair of one Board meeting. Appointed as a member and Chair of SIAG on 30 July 2020.
3. Retired from the Board, ARMC and PEHC on 30 September 2020.
4. Reappointed as a Director on 1 October 2020. Appointed as a member SIAG on 30 July 2020 (in her capacity as Victoria's Chief Engineer) and resigned as a member of SIAG on 21 October 2021.
5. Appointed as a Director on 1 October 2020. Appointed as member and Chair of ARMC on 12 October 2020. Appointed as a member of PEHC on 12 October 2020.
6. Reappointed as a Director on 1 August 2020.
7. Appointed as Non-Director member of SIAG on 30 July 2020 and resigned as a member of SIAG on 16 February 2021.
8. Appointed as Non-Director member of SIAG on 30 July 2020.
9. Appointed as Non-Director member of SIAG on 30 July 2020 and resigned as a non-director member of SIAG on 19 October 2020.
10. Reappointed as Non-Director member of TLC on 19 September 2020.
11. Appointed as Non-Director member of SIAG on 11 March 2021.
12. Appointed as Non-Director member of SIAG on 30 July 2020.

## Ministerial declaration and orders in council

Three notices were received relating to the reappointment of the Chair of the Board, the appointment of a new Director and the extension of the term of one Director.

## Occupational Health and Safety report

VicTrack's core values include fostering a strong health and safety program that satisfies both our legal obligations and supports the ongoing mental health of employees. The COVID-19 pandemic has posed a range of challenges as much of the workforce has worked remotely for large portions of the year. However, using the existing safety strategy as a guide, a range of initiatives have been implemented which have enabled VicTrack to continue its journey toward achieving best practice in the management of health and safety, while supporting the ongoing wellbeing of employees and contractors.

> Image: VicTrack staff on site



## Health and safety strategy initiatives

Health and safety initiatives implemented throughout the year in support of the Health and Safety Strategy 2020–21 included:

### COVID-19 response planning

Throughout the course of the year, the business has transitioned to a new COVID-normal work environment based on advice from the Victorian Department of Health. This has enabled VicTrack to operate effectively from both the office and remote working environments. COVID Safe Plans have provided a clear and easy to understand framework to enable the majority of operations to continue relatively unaffected. This flexibility has allowed VicTrack's pandemic response to shift from a business disruption setting into business as usual (BAU) mode with the adoption of new technologies to improve performance (e.g., mobile app incident reporting) and a general uplift in employee engagement through the use of new communication platforms (e.g., video communications). Overall, VicTrack has managed the challenging times posed by the COVID-19 pandemic well.

### Health and safety risk management

A cornerstone of the VicTrack Health and Safety Strategy is the effective management of our key risks. In support of this objective, a range of initiatives were implemented throughout the course of the 2020–21 financial year. Key among these was the migration of the Health and Safety (H&S) Risk Register and all associated controls into a new dedicated risk management system. This system provides a greater level of transparency in relation to the controls required to manage our risks and enables key stakeholders to have improved access to the information they require to effectively manage their areas of responsibility.

This transition has enabled VicTrack to manage all of its risks (both H&S and enterprise) according to the same methodology. This has resulted in an improved level of alignment in relation to how risks are managed in the operational environment, the implementation of robust assurance/auditing activities and the consistent reporting of risk control measures through to the Board / Executive team. It has also enabled the business to focus improvement initiatives more effectively on those areas that represent the highest potential exposure to the business.

## Rail Safety Assurance Program

As part of the uplift to the Health and Safety Risk Management Program, a comprehensive review of rail-related incidents (covering the past five years) was conducted. This has facilitated a range of improvements related to how VicTrack manages its rail operations, both directly at the North Dynon Terminal and via a network of stakeholders and contractors who operate out of the South Dynon Terminal. Initiatives include:

- implementation of more robust maintenance processes to support key infrastructure, which includes a range of activities such as verifying track geometry, replacing damaged or ageing sleepers and/or rails, ensuring that sidings and turntables are operating properly and initiating a regular program of maintenance inspections undertaken by a suitably qualified external vendor(s)
- improved incident reporting and investigation processes, which includes making the reporting of incidents as easy as possible through the introduction of mobile app technology, the development of a streamlined root cause analysis process, and designating an incident investigation gatekeeper who is responsible for ensuring that the investigation process progresses in a timely manner
- implementation of a tailored site inspection program, which includes both internal validation inspections performed by VicTrack employees covering both VicTrack and third-party processes
- improved contractor induction and training programs, which includes a range of processes to ensure that contractors who perform work are suitably qualified and that contractors are adequately inducted to site-specific requirements that directly influence their ability to complete required tasks in a safe manner.

These improvements have helped to raise the profile of rail safety across the entire VicTrack business and will facilitate the continual improvement in how rail operations are managed into the future.

### Reporting of noteworthy incidents

A summary of noteworthy incidents that have occurred during the financial year include nine notifiable incidents to the Office of the National Rail Safety Regulator and one lost time injury.

| Year                              | 2020–21 | 2019–20 | 2018–19 | 2017–18 |
|-----------------------------------|---------|---------|---------|---------|
| Rail safety notifiable occurrence | 9       | 15      | 13      | 15      |
| Lost time injuries                | 1*      | 1       | 0       | 2       |

\* classified as minor with under 10 days lost due to injury

### Incident management

Another cornerstone of the VicTrack Health and Safety Strategy is the continual improvement of incident management processes. Throughout the past several years a range of initiatives have been implemented to make the reporting of incidents easier and more efficient. The focus for 2020–21 shifted to the implementation of a more efficient investigation process spearheaded by an improved root cause analysis methodology. This system improvement has resulted in:

- a significant reduction in the overall time required to complete incident investigations
- more effective correction actions focused on addressing the specific cause(s) of incidents
- a reduction in total recordable injuries (TRIs)
- a reduction in regulatory notifiable incidents
- a reduction in workers compensation claims.

## VicTrack OHS performance

A summary of VicTrack OHS performance is as follows:

| Measure               | Notes  | 2020-21   | 2019-20  | 2018-19  |
|-----------------------|--|---|--|--|
| Incidents             | No. of incidents   | 88  | 84   | 99   |
|                       | Rate per 100 FTE   | 23.59*  | 21.59  | 25.85  |
|                       | No. of incidents requiring first aid and/or further medical treatment  | 10  | 11   | 11   |
| Claims                | Number of standard claims  | 1   | 2  | 2  |
|                       | Rate per 100 FTE   | .27*  | .51  | .52  |
|                       | No. of lost time claims  | 1   | 1  | 1  |
|                       | Rate per 100 FTE   | .27*  | .26  | .26  |
|                       | Number of claims exceeding 13 weeks  | 0   | 2  | 1  |
|                       | Rate per 100 FTE   | 0.0*  | .51  | .26  |
| Fatalities            | Fatalities claims  | 0   | 0  | 0  |
| Claim costs           | Average cost per standard claim  | \$741   | \$1,119  | \$4,129  |
| Return to work        | Percentage of claims with return-to-work plan >30 days   | 0%  | 0%   | 50%  |
|                       |  | 1 RTW <30 days  | 2 RTW <30 days   | 1 RTW <30 days   |
| Management commitment | Evidence of OHS policy, OHS objectives, regular reporting to senior management on OHS, and OHS plans (signed by CEO or equivalent) | 11 HSE procedures were reviewed and updated following consultation with stakeholders.         | 3 policies have been reviewed and approved by the ELT/Board<br><br>18 HSE procedures were reviewed and updated following consultation with stakeholders. | 3 policies have been reviewed and approved by the ELT/Board<br><br>First Company-wide HSE Strategy was approved by ELT/Board |
|                       | Evidence of OHS criteria in purchasing guidelines (including goods, services and personnel).                                       | 329 contractors were pre-qualified in the Avetta system and approved for use by the business. | Implementation of Avetta pre-qualification System to verify that contractors have the necessary qualifications prior to being approved to perform work   | Procurement & purchasing process include OHS criteria  |

| Measure                        | Notes  | 2020-21   | 2019-20  | 2018-19   |
|--------------------------------|--|---|--|---|
| Consultation and participation | Evidence of agreed structure of Designated Work Groups (DWGs), Health and Safety Representatives (HSRs), and issue resolution procedures | There are 6 Designated Work Groups                | There are 6 Designated Work Groups   | There are 10 Designated Work Groups                       |
|                                |  |   | 8 HSRs   | 10 HSRs   |
|                                |  |   | 1 Deputy HSR   | 2 Deputy HSRs   |
|                                |  |   | All HSR's have received accredited HSR Training with refresher training delivered in September 2019. | All HSR's have received accredited HSR Training           |
|                                |  |   | A HSR Consultative Forum is conducted bi-monthly   | A HSR Consultative Forum is conducted bi-monthly          |
|                                |  |   |  | The Consultative Forum has an approved Terms of Reference |
|                                |  |   |  | The forums are documented with minutes of meetings        |
|                                | Compliance with agreed structure on DWGs, HSRs, and IRPs   | 100%  | 100%   | 100%  |
|                                |  | (6 meetings scheduled, and 6 meetings held)       | (6 meetings scheduled, and 6 meetings held)  | (6 meetings scheduled, and 6 meetings held)               |
|                                | No. of quarterly OHS Committee Meetings  | 3   | 4  | 4   |
|                                |  | (one meeting postponed due to Melbourne lockdown) |  |   |

\* Based upon 373 FTEs

## Workforce data



Image: VicTrack staff

## Employment and conduct principles

VicTrack is committed to applying equity principles when recruiting and selecting staff. This includes implementing the obligations of the *Gender Equality Act 2020*. Rigorous selection processes and probity checks 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 the workforce data collection. VicTrack has implemented the Commission's model policy on Executive employment including misconduct checks.

## Highly capable, resilient and engaged workforce

VicTrack seeks a goal of highly capable leaders and staff to deliver outcomes for Victorians. We seek to do this through strengthening workforce and leadership capabilities and by implementing strategies to deliver long-term success.

## Enterprise Agreement

The VicTrack Enterprise Agreement 2019–20 was fully implemented in accordance with the Victorian Government Wages Policy.

Negotiations for a replacement four-year agreement were conducted throughout the latter half of the 2020–21 financial year. In-principle agreement has been reached and is subject to government approval.

## Workforce inclusion policy

VicTrack is guided by its values, provides a collaborative environment and commits to fostering a respectful culture where everyone can thrive. VicTrack continues to work towards achieving an inclusive workplace that is safe, free from discrimination, bullying and harassment and where equal opportunity and diversity are valued.

VicTrack is committed to implementing outcomes from the *Gender Equality Act 2020* to help close the gender pay gap, improve gender equality at all levels of the workforce and reduce workplace sexual harassment.

In 2020–21, VicTrack completed its Diversity and Inclusion Strategy, which encompasses our Gender Equality Action Plan.

Actions taken in relation to the strategy over the past financial year include:

- As far as practical we ensure that shortlists cover as much diversity as possible.
- Specifically, shortlists must as far as possible include 50/50 representation of gender.
- A dedicated gender equity plan is in development.
- VicTrack has a representative on a DoT committee for Aboriginal determination and LGBTIQ+. Participation in these committees assists VicTrack in raising awareness to the organisation and lifting our understanding around creating a culturally safe environment for these underrepresented groups.
- We have partnered with the Australian Network on Disability for training.

## 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 Code of Conduct which articulates the values and principles of Responsiveness, Integrity, Impartiality, Accessibility, Respect, Leadership, and Human Rights.

VicTrack's policies are 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

The work to support and implement these principles and practices is continuous and ongoing.

## Comparative workforce data<sup>1,2,3</sup>

Table 1 Full time equivalents (FTE) staffing trends from 2017–21

| 2021 | 2020 | 2019 | 2018 | 2017 |
|------|------|------|------|------|
| 373  | 391  | 383  | 382  | 367  |

Table 2 Summary of employment levels in June of 2021 and 2020

|           | Ongoing employees <sup>3</sup> |                       |                       |                    |        | Fixed-term & casual employees |
|-----------|--------------------------------|-----------------------|-----------------------|--------------------|--------|-------------------------------|
|           | Employees (headcount)          | Full time (headcount) | Part time (headcount) | Casual (headcount) | FTE    | FTE                           |
| June 2021 | 380                            | 260                   | 11                    | 5                  | 267.45 | 105.55                        |
| June 2020 | 398                            | 292                   | 11                    | 0                  | 299    | 92                            |

1 All figures reflect employment levels during the last full pay period in June of each year.

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

3 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 2021 and 2020

|                       | 2021                  |               |                               | 2020                  |            |                               |
|-----------------------|-----------------------|---------------|-------------------------------|-----------------------|------------|-------------------------------|
|                       | Ongoing               |               | Fixed-term & casual employees | Ongoing               |            | Fixed-term & casual employees |
|                       | Employees (headcount) | FTE           | FTE                           | Employees (headcount) | FTE        | FTE                           |
| <b>Gender</b>         |                       |               |                               |                       |            |                               |
| Male                  | 186                   | 185.4         | 75.9                          | 207                   | 207        | 66                            |
| Female                | 86                    | 82.05         | 29.65                         | 96                    | 92         | 26                            |
| Self-described        | n                     | n             | n                             | n                     | n          | n                             |
|                       | 272                   | 267.45        | 105.55                        |                       |            |                               |
| <b>Age</b>            |                       |               |                               |                       |            |                               |
| 15-24                 | 2                     | 2             | 3                             | 3                     | 3          | 4                             |
| 25-34                 | 27                    | 26.8          | 16                            | 34                    | 34         | 13                            |
| 35-44                 | 100                   | 96.45         | 29.75                         | 104                   | 103        | 22                            |
| 45-54                 | 98                    | 97.4          | 29                            | 104                   | 102        | 30                            |
| 55-64                 | 42                    | 41.8          | 25                            | 51                    | 50         | 18                            |
| 65+                   | 3                     | 3             | 2.8                           | 7                     | 7          | 4                             |
| <b>Total</b>          | <b>272</b>            | <b>267.45</b> | <b>105.55</b>                 | <b>303</b>            | <b>299</b> | <b>92</b>                     |
| <b>Classification</b> |                       |               |                               |                       |            |                               |
| VPS 1                 | 0                     | 0             | 0                             | 0                     | 0          | 0                             |
| VPS 2                 | 0                     | 0             | 0                             | 11                    | 9          | 1                             |
| VPS 3                 | 7                     | 6.6           | 3                             | 18                    | 18         | 2                             |
| VPS 4                 | 17                    | 16.2          | 5.65                          | 52                    | 51         | 4                             |
| VPS 5                 | 133                   | 130.61        | 27                            | 94                    | 93         | 11                            |
| VPS 6                 | 115                   | 114.04        | 22.9                          | 127                   | 127        | 15                            |
| STS                   | 0                     | 0             | 21                            | 2                     | 2          | 29                            |
| Executive             | 0                     | 0             | 26                            | 0                     | 0          | 21                            |
| <b>Total</b>          | <b>272</b>            | <b>267.45</b> | <b>105.55</b>                 | <b>304</b>            | <b>300</b> | <b>83</b>                     |

## 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* (VIC), or is a person for whom the Victorian Government's Policy on Executive Remuneration in Public Entities applies.

Table 4 Annualised total salary for executives and other senior technical staff (STS)<sup>4</sup>

| Income band (salary) | Executives | STS       |
|----------------------|------------|-----------|
| <\$160,000           | 0          | 0         |
| \$160,000-\$179,999  | 0          | 1         |
| \$180,000-\$199,999  | 1          | 11        |
| \$200,000-\$219,999  | 8          | 3         |
| \$220,000-\$239,999  | 5          | 3         |
| \$240,000-\$259,999  | 5          | 2         |
| \$260,000-\$279,999  | 0          | 1         |
| \$280,000-\$299,999  | 1          | 0         |
| \$300,000-\$319,999  | 1          | 0         |
| \$320,000-\$339,999  | 3          | 0         |
| \$340,000-\$359,999  | 1          | 0         |
| \$360,000-\$379,999  | 0          | 0         |
| \$380,000-\$399,999  | 0          | 0         |
| \$400,000-\$419,999  | 0          | 0         |
| \$420,000-\$439,999  | 0          | 0         |
| \$440,000-\$459,999  | 0          | 0         |
| \$460,000-\$479,999  | 0          | 0         |
| \$480,000-\$499,999  | 0          | 0         |
| \$500,000-\$519,999  | 1          | 0         |
| \$520,000-\$539,999  | 0          | 0         |
| <b>Total</b>         | <b>26</b>  | <b>21</b> |

<sup>4</sup> The salaries reported above reflect the full financial year and exclude superannuation  
\* This table excludes secondments

## Other disclosures

### Local Jobs First - VIPP compliance disclosure

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 statewide projects, or \$1 million or more for procurement activities in regional Victoria.

During 2020–21, VicTrack commenced two Local Jobs First – VIPP applicable procurement projects totalling \$25.8 million. The projects are located in Melbourne regional areas, with a commitment of 98 per cent of local content. The outcomes expected from the implementation of the Local Jobs First – VIPP to the projects, where information was provided, are:

- An average of 98 per cent of local content commitment was made.
- A total of three jobs (annualised employee equivalent [AEE]) were committed, however retained 11 existing jobs (AEE).
- A total of one traineeship was committed, with one apprenticeship and two traineeships retained.

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 2020–21, VicTrack completed two Local Jobs First – VIPP applicable projects.

### Government advertising expenditure

In 2020–21, VicTrack conducted no government advertising campaigns with a total media spend of \$100,000 or greater and therefore has nil to disclose.

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

In 2020–21, there were 16 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2020–21 in relation to these consultancies was \$5,602,474 (excluding GST). Details of individual consultancies can be viewed at [www.victrack.com.au/annualreports](http://www.victrack.com.au/annualreports)

### Details of consultancies (valued at less than \$10,000)

In 2020–21, there were 20 consultancies engaged during the year, where the total fees payable to the individual consultancies was less than \$10,000. The total expenditure incurred during 2020–21 in relation to these consultancies was \$81,630 (excl. GST).

### Disclosure of major contracts

During 2020–21 VicTrack entered into one contract greater than \$10 million in value. In accordance with the requirements of government policy and accompanying guidelines VicTrack discloses all contracts greater than \$10 million in value. Details of this contract have been disclosed in the Victorian Government Contracts Publishing System and can be viewed at [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au)

## Disclosure on social procurement

In 2018, the Victorian Government looked to leverage its significant buying power by developing a Social Procurement Framework (SPF), designed to generate social value above and beyond the mere value of all goods, services or construction works being procured by all departments and agencies. The Social Procurement Framework centres around ten core objectives being:

1. Opportunities for Victorian Aboriginal people
2. Opportunities for Victorians with disability
3. Women's equality and safety
4. Opportunities for disadvantaged Victorians
5. Supporting safe and fair workplaces
6. Sustainable Victorian social enterprise and Aboriginal business sectors
7. Sustainable Victorian regions
8. Environmentally sustainable outputs
9. Environmentally sustainable business practices
10. Implementation of the climate change policy objectives

VicTrack has adopted these SPF principles in the development and implementation of its own social procurement policy where it could leverage its spend profile and target initiatives where it could provide maximum benefit which include women's equality and safety, safe and fair workplaces, sustainable Victorian regions and environmentally sustainable outputs.

During the 2020–21 financial year, VicTrack engaged seven individual social enterprises for a total value of \$719,310.23. In addition to this VicTrack delivered the Bendigo Metro 3 project (on behalf of Rail Projects Victoria) in which the supplier has committed to achieve an Aboriginal employment target of 2.5 per cent of labour hours for the project.

Further, VicTrack has commenced the development of a dedicated social procurement framework for application across the wider organisation to support all procurement engagements regardless of spend size. VicTrack also has a representative who attends the DoT Aboriginal procurement working group.

## Information and communication technology expenditure

For the 2020–21 reporting period, VicTrack had a total ICT expenditure of \$111.341 million with the details shown below.

| Expenditure                           | \$'000 |
|---------------------------------------|--------|
| Business as usual ICT expenditure     | 80,086 |
| Non-business as usual ICT expenditure | 31,255 |
| Operational expenditure               | -      |
| Capital expenditure                   | 31,255 |

## Freedom of Information report

The *Freedom of Information Act 1982* (FOI Act) allows the public a right of access to documents held by VicTrack.

VicTrack's Freedom of Information (FOI) Part II Information Statement outlines VicTrack's role and makes it easy to find information about VicTrack's key services and functions. It sets out what information is available to the public and reduces the need for you to submit requests under the FOI Act.

Further information regarding VicTrack's accountabilities and procedures are available on the VicTrack website at [victrack.com.au/about/policies-and-disclosures](http://victrack.com.au/about/policies-and-disclosures)

FOI Requests – Year ending 30 June 2021

| <b>Requests received</b>   |    |
|--|----|
| Requests received in 2019–20 & finalised in 2020–21                                    | 0  |
| Requests received and finalised in 2020–21   | 10 |
| Requests received in 2020–21 but not yet finalised                                     | 3  |
| Requests received in 2020–21 but not yet finalised                                     | 3  |
| <b>Source of requests</b>  |    |
| Member of Parliament   | 4  |
| Media  | 0  |
| General public   | 7  |
| Private corporation  | 2  |
| <b>Decisions on FOI requests in 2020–21</b>  |    |
| Access granted in full   | 0  |
| Access granted in part   | 1  |
| Access refused   | 0  |
| Documents not located/do not exist   | 1  |
| Requests transferred to other department (pursuant to s18 of the FOI Act)              | 6  |
| Invalid requests   | 0  |
| Other  | 2  |
| <b>Processing time</b>   |    |
| Decisions made within the 30-day time frame requirements of section 21 of the FOI Act  | 1  |
| Decisions made outside the 30-day time frame requirements of section 21 of the FOI Act | 0  |
| <b>Reviews and complaints</b>  |    |
| Information Commissioner   | 0  |
| VCAT   | 0  |

## Additional information available on request

In compliance with the requirements of the Standing Directions 2018 under the *Financial Management Act 1994*, 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 provisions of the *Freedom of Information Act 1982*:

- 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 how these 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 Company Secretary at the address on the back cover of this report.

## Compliance with Building Act 1993

VicTrack is continuously managing its buildings and assets in accordance with the *Building Act 1993*. VicTrack's asset management system includes a robust compliance program 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, or alternatively, 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 services as if they were privately owned and thus be fully cost reflective.

VicTrack's own Competitive Neutrality Policy explicitly sets out VicTrack's approach to the implementation of the Victorian Government's principles on Competitive Neutrality. VicTrack also periodically reviews its other policies and processes to ensure alignment with the Victorian Competitive Neutrality Policy.

## Examples of VicTrack's commitment to Competitive Neutrality

The infrastructure leases with Head, Transport for Victoria (previously Public Transport Victoria) provide for open access to Victoria's rail infrastructure.

Head, Transport for Victoria subleases the rail infrastructure to national, regional and suburban train and tram operators to facilitate the state's open access regime, which fosters competition among intrastate and interstate transport companies.

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

## Compliance with the Public Interest Disclosure Act 2012

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

VicTrack's policy and procedure details the framework for receiving, investigating and addressing allegations of criminal, dishonest or unethical behaviour where that behaviour concerns the activities of VicTrack or current and former officers, agents, employees and contractors of VicTrack.

VicTrack is committed to creating, promoting and maintaining a culture of compliance and ethical behaviour in which VicTrack employees are responsible and accountable, behave with the highest standards of integrity and are able to raise concerns about unlawful, unethical or inappropriate conduct without fear of reprisal.

VicTrack encourages all VicTrack employees to report any instances of suspected unethical, illegal, fraudulent or improper conduct involving VicTrack's operations. VicTrack will ensure that those persons who make a report can do so without fear of intimidation, disadvantage or reprisal.

Depending on the nature of the disclosure, disclosures of improper conduct or detrimental action by VicTrack or any of its employees and/or officers can be made to a number of regulatory bodies. Following amendments made to the *Corporations Act 2001 (Cth)* (Corporations Act) in 2019, a disclosure by an eligible whistleblower of misconduct or an improper state of affairs or circumstances about VicTrack that is made to an eligible recipient, may trigger the whistleblower protections under the Corporations Act. The Public Interest Disclosure Coordinator (who is VicTrack's Group Manager Legal) is authorised by VicTrack to receive Protected Disclosures under the Corporations Act.

The Group Manager Legal can be contacted:

- by email: [generalcounsel@victrack.com.au](mailto:generalcounsel@victrack.com.au)
- by telephone: 03 9619 0255

Alternatively, disclosures about VicTrack or one of its employees in respect of misconduct and/or an improper state of affairs, can be made directly to the Australian Securities and Investment Commission or the Australian Prudential Regulation Authority.

All other public interest disclosures must be made directly to the Independent Broad-based Anti-Corruption Commission (IBAC) in accordance with its procedures and guidelines. IBAC's details are as follows:

The Independent Broad-based Anti-Corruption Commission

Level 1, North Tower  
459 Collins Street  
Melbourne VIC 3000

Telephone: 1300 735 135

### Further information

VicTrack's procedure for the disclosing of improper conduct or detrimental action by VicTrack or any of its employees and/or officers, is detailed on VicTrack's website at <https://www.victrack.com.au/about/policies-and-disclosures>.

### Disclosures under the Protected Disclosure Act 2012

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

## Compliance with Carers Recognition Act

VicTrack is compliant with all obligations that affect people in care relationships.

## Compliance with Disability Act

VicTrack is committed to providing a workplace and employment opportunities that are inclusive of all people, including those with a disability. VicTrack has prepared a draft Disability Action Plan aligned with the objectives set out in the Victorian Government's framework, *Absolutely everyone: State disability plan for 2017–2020*.

A number of actions have been introduced during 2020–21.

### Reducing barriers to accessing goods, services and facilities

VicTrack has teamed up Training for the future and Australian Network on Disability to run sessions on managing disability in the workplace. These sessions will continue until they have been rolled out to the whole organisation.

### Promoting inclusion and participation in the community

A disability focus group has been established and sits within the Diversity Steering Committee. The focus group has a mandate to bring awareness to the organisation, but also look at ways to better support employees living with a disability.

### Achieving tangible changes in attitudes and practices that discriminate against people with a disability

A disability champion has been identified who will lead initiatives alongside the disability focus group.

## Office-based environmental impacts

VicTrack continued to monitor the environmental impacts of its operations during the 2020–21 reporting period.

VicTrack delivered a refreshed Environmental Sustainability Strategy for 2021–25. The strategy reflects VicTrack's commitment to protecting the environment and meeting legislative obligations, while also broadening the focus to consider the positive opportunities that more sustainable practices can unlock. The four strategic objectives of the strategy are:

1. Protect, conserve and enhance our natural assets.
2. Manage environmental risks and obligations.
3. Embed sustainability in the way we work.
4. Future proof VicTrack.

VicTrack continues to maintain an Environmental Management System (EMS) in line with international standard ISO14001. The EMS is used to incorporate environment and sustainability considerations into VicTrack's processes, ensure that where reasonable and practicable, our impact to the environment is minimised, and to influence external stakeholders.

The VicTrack Sustainability Working Group continues to be an effective component of embedding sustainability into VicTrack's culture. This working group comprises staff members from across the organisation, meets on a monthly

basis and is a key mechanism to progress the EMS and related actions.

Within each of the focus areas identified in the Environmental Sustainability Strategy 2021–25, targets and key performance indicators are identified to reduce VicTrack's environmental footprint. In the following section of the report a summary is provided on how VicTrack is progressing against its key performance indicators as per the requirements outlined in Financial Reporting Direction 24D – Reporting of Office-based Environmental Data by Government Entities. Using 2015–16 as the baseline year, the following environmental indicators are reported on in this report:

- Energy use
- Waste and recycling
- Paper use and printing
- Water consumption
- Transportation
- Greenhouse gas emissions
- Procurement

The data within the report predominantly represents VicTrack's office-based activities at 1010 La Trobe Street, Docklands which represents over 95 per cent of VicTrack's staff. Operational sites have also been considered for energy consumption and emissions. However, the consumption of resources and associated generation of waste and greenhouse gas emissions are primarily due to office-based activities.

VicTrack's greenhouse gas inventory has been prepared using Australia's Department of the Environment and Energy's National Greenhouse Accounts Factors, updated in August 2019. For the 2020–21 year, VicTrack's external travel booking organisation provided VicTrack's Greenhouse Gas (GHG) emissions estimates per flight. These estimates follow the United Kingdom's Department for Business, Energy and Industrial Strategy's Greenhouse gas reporting: conversion factors.

During the reporting period VicTrack offices were closed due to COVID-19, resulting in all staff predominantly working from home for the entire reporting period. This resulted in significant reductions across all environmental office-based data. This closure was still in effect at the end of the reporting period and will continue for an unknown period into the 2021–22 reporting period. Changes in VicTrack's usage of resources and materials, also production of waste are highlighted throughout each section of the environmental reporting below.

Highlights for 2020–21 include:

- delivery of the new VicTrack Environmental Sustainability Strategy 2020–25
- participation in the 2021 Clean Up Australia Day - Business Clean Up Day held at the North Dynon Freight Terminal
- decommissioning of legacy telecommunications technology which was energy inefficient
- LED lighting upgrades at multiple sites
- adoption of circular economy principles in our ways of working
- reuse of construction materials at multiple sites
- incorporation of recycled content in construction materials at multiple sites
- implementation of digital signatures to significantly reduce the need for printing.

## Energy

VicTrack consumed energy at multiple corporate and operational facilities including: 1010 La Trobe Street Docklands, 595 Collins Street Melbourne, the Sunshine Warehouse and North Dynon Terminal. There were no changes to VicTrack's office and operational facilities during the reporting period.

As of 2019–20, data has been included for some miscellaneous infrastructure that remains in VicTrack's control, including Batman Bridge, a railway platform in Norlane and a property in Armadale.

Energy data was collected from the energy retailer's billing information. The 1010 La Trobe Street building has a 5 Star Green Star Office Design Rating and a 4.5 National Australian Built Environment Rating System Energy Rating.

Energy consumed for base building amenities such as heating, cooling, fire and security systems at the 1010 La Trobe Street and 595 Collins Street office locations was not metered separately for each tenant within the building. Energy use was charged to building management and subsequently apportioned to each occupier within the building based on 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 2015–16.

VicTrack owned and operated several data centres (DC). These facilities are used to operate VicTrack's telecommunication and infrastructure network which include internet protocol (IP), fibre and copper transmission, data warehousing and transmission and unified communications (UC) system to support the state's transport operators and other government agencies including ticketing systems, transport security operators and associated communication systems.

VicTrack's energy use is presented in Table 1. This data represents all of VicTrack's offices, operational facilities, data centres and other operational sites.

Table 1 Energy use

| Indicator  | 2020–21   | 2019–20   | 2018–19   | 2017–18        | 2016–17   |
|--|-----------|-----------|-----------|----------------|-----------|
| <b>Office-based</b>  |           |           |           |                |           |
| Total energy use (office based) (electricity - MJ)   | 3,070,946 | 3,510,755 | 3,674,601 | 3,791,880      | 3,344,064 |
| Greenhouse gas emission associated with total energy use (t CO <sub>2</sub> -e) (office based) | 794       | 945       | 1,038     | 1,081          | 1,003     |
| Percentage of electricity purchased as green power   | 5         | 5         | 5         | 5 <sup>1</sup> | 0         |
| Units of energy used per FTE (MJ / FTE)  | 8,233     | 9,005     | 9,586     | 9,919          | 9,129     |
| Units of energy used per unit of office area (MJ/m <sup>2</sup> )                              | 521       | 595       | 639       | 660            | 813       |

<sup>1</sup> Commencing in January 2018, green power was purchased for 1010 La Trobe Street and 595 Collins Street.

| Indicator  | 2020–21   | 2019–20   | 2018–19   | 2017–18   | 2016–17   |
|--|-----------|-----------|-----------|-----------|-----------|
| <b>Operational facilities, data centres and miscellaneous infrastructure</b>                                   |           |           |           |           |           |
| Total energy use (operational facilities) <sup>2</sup> (MJ)  | 487,368   | 367,030   | 429,166   | 490,855   | 612,686   |
| Total energy use (data centres) <sup>3</sup> (MJ)  | 7,228,600 | 7,700,538 | 7,719,684 | 8,537,706 | 8,762,581 |
| Total energy use (miscellaneous infrastructure) <sup>4</sup> (MJ)  | 284,436   | 312,337   |           |           |           |
| Greenhouse gas emission associated with total energy use (t CO <sub>2</sub> -e) (operational facilities)       | 126       | 99        | 128       | 140       | 184       |
| Greenhouse gas emission associated with total energy use (data management) (T CO <sub>2</sub> -e)              | 1,840     | 2,073     | 2,294     | 2,561     | 2,629     |
| Greenhouse gas emission associated with total energy use (miscellaneous infrastructure) (T CO <sub>2</sub> -e) | 154       | 84        |           |           |           |

<sup>2</sup> Electricity consumption for August 2017 and June 2018 has been estimated by the energy supplier.

<sup>3</sup> Total energy usage for data centres is reported separately to the total office-based energy usage calculation.

<sup>4</sup> Miscellaneous sites refer to infrastructure that remains in VicTrack's control, including Batman Bridge, a railway platform in Norlane and a property in Armadale.

## Results and trends in performance

Energy use reduced at VicTrack corporate offices during 2020–21 by approximately 12 per cent, compared to the previous year. This reduction was mainly due to staff working from home for most of the year due to COVID-19 restrictions.

VicTrack purchased five per cent of its electricity for its corporate offices from green energy sources.

Energy consumption at operational facilities decreased by approximately seven per cent when compared with 2019–20 primarily due to the continual reduction in high bay lighting at the North Dynon Freight Terminal. Due to difficulties in accessing the lights at this site, a full bulb replacement program has not been carried out for four to five years. The gradual reduction in operational bulbs has resulted in the steady decline in energy use at this site since 2017–18. An LED lighting upgrade project commenced in May 2021 to replace all halogen lights with energy efficient LEDs.

Energy consumption at data centres also decreased by approximately 16 per cent when compared to 2019–20 usage. This reduction is due to the decommissioning of legacy technology to reduce power consumption.

## Actions

In 2020–21 VicTrack installed smart meters at each of its larger energy use sites, allowing remote and real time data collection and monitoring. A review of billing and electricity data was also undertaken in 2020–21 which identified a number of sites that no longer require electrical connections.

The telecommunications group also decommissioned some of its legacy technology in an effort to reduce power consumption at its data centres.

VicTrack completed the replacement of 21 high bay lights with energy efficient LEDs at the Spotswood former archive facility and commenced an LED lighting upgrade project in May 2021 to replace all halogen lights at the North Dynon freight facility with energy efficient LEDs.

VicTrack also undertook a review of its sites to determine key sites with high energy demands and opportunities to install solar arrays on roofs and adjacent land.

While not associated with office activities, VicTrack also incorporated energy efficient LEDs into its electrical designs for projects delivered for third parties in 2020–21.

## Targets

Energy reduction targets from the sustainability strategy are summarised in Table 2. In 2020–21 VicTrack met the targets for energy used per FTE and energy used per square metre of office space.

Table 2 Energy targets

| KPI   | 2020-21 Performance | 2019-20 Performance | Target for 2020-21* |
|---|---------------------|---------------------|---------------------|
| Megajoules of corporate office energy used per FTE (MJ/FTE).                  | 8,233               | 9,005               | 9,917               |
| Megajoules of energy used per m2 of office space (MJ/m2).                     | 521                 | 595                 | 746                 |
| Percentage of energy for office-based facilities purchased as green power (%) | 5                   | 5                   | 5                   |

\* 2020–21 targets were identified in the VicTrack Environmental Sustainability Strategy 2017–21. An updated strategy has revised targets for 2021–25.

## Paper and printing

VicTrack's paper use and printing incorporates business-wide activities for all sites where VicTrack has operational control. VicTrack's paper use is presented in Table 3.

Table 3 Paper use<sup>5</sup>

| Indicator <sup>6</sup>  | 2020–21 | 2019–20 | 2018–19 | 2017–18 | 2016–17 |
|---|---------|---------|---------|---------|---------|
| Reams of A4 equivalent copy paper used                                | 543     | 1,129   | 1,972   | 2,143   | 2,192   |
| Reams of A4 equivalent copy paper used per FTE (reams / FTE)          | 1.5     | 2.9     | 5.1     | 5.6     | 6.0     |
| Percentage of >80% recycled content copy paper purchased <sup>7</sup> | 75.7    | 17      | 30      | 4       | 27      |
| Percentage of 50–79% recycled content copy paper purchased            | 0       | 8       | 4       | 0       | 0       |
| Percentage of 0–49% recycled content copy paper purchased             | 3.7     | 14      | 4       | 0       | 3       |
| Percentage of sustainably certified copy paper purchased <sup>8</sup> | 22.6    | 61      | 63      | 96      | 68      |
| Percentage of recycled content  | 73.7    | 32      | 30      | 4       | 26      |
| Percentage of non-recycled  | 26.3    | 8       | 8       | 0       | 3       |

<sup>5</sup> Paper data reported is sourced from corporate supplier, June 2018–June 2021.

<sup>6</sup> One ream equals 500 sheets of A4 equivalent paper.

<sup>7</sup> The 100 per cent recycled paper procured by VicTrack is also certified as PEFC.

<sup>8</sup> Sustainably certified copy paper includes: 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 product is from forests where responsible management is undertaken. The 100 per cent recycled paper that is also PEFC certified is excluded from this figure.

VicTrack has collected printing data since 2019–20. This data is presented in Table 4. It must be noted that each 'print' or 'impression' is a single side of printing. The default setting on VicTrack's computers is double-sided printing. The number of printing impressions being almost double the volume of paper being used demonstrates that double-sided printing is successfully occurring in the business.

Table 4 Printing<sup>9</sup>

| Indicator <sup>8</sup>                     | 2020–21 | 2019–20   | 2018–19   | 2017–18   | 2016–17   |
|--|---------|-----------|-----------|-----------|-----------|
| Total prints/Impressions                   | 179,372 | 1,012,621 | 1,351,208 | 1,834,125 | 1,987,969 |
| Black and white prints/impressions per FTE | 234     | 1,180     | 1,683     | 2,147     | 2,299     |
| Colour prints/impressions per FTE          | 246     | 1,417     | 1,842     | 2,650     | 3,103     |

<sup>9</sup> Printing data is sourced from printer supplier.

### Result and trends in performance

In 2020–21, total paper usage decreased by 586 reams from 2019–20, representing a 52 per cent reduction in reams purchased. Sustainably certified paper made up 123 reams (23 per cent) of total paper purchased, while recycled copy paper content comprised 400 reams (74 per cent). Non-recycled content made up 20 reams (approximately four per cent). In 2020–21 the percentage of recycled content increased compared with 2019–20.

In 2020–21, VicTrack's printing reduced by 82 per cent compared with 2019–20 and reduced 91 per cent since 2016–17. Overall, the number of colour prints in 2020–21 is similar to that done in black and white.

The office closure due to COVID-19 dramatically reduced the amount of paper being used and printing at VicTrack.

### Actions undertaken

VicTrack continued to operate a 'Follow me Print' program as the default printer setting on all office-based computers. Printing settings are also defaulted to print in black and white and double-sided printing.

VicTrack continued to implement the use of electronic signatures for the signing of documents. Due to the majority of staff working from home due to COVID-19 the implementation of electronic signatures has been successful.

### Targets

Paper reduction targets that were established in the sustainability action plan are summarised in Table 5. VicTrack has met both the targets identified in the Environmental Sustainability Strategy 2017–21.

Table 5 Paper targets

| KPI   | 2020–21 Performance | 2019–20 Performance | Target for 2020–21* |
|---|---------------------|---------------------|---------------------|
| Reams of A4 paper used per full-time equivalent (reams/FTE).                    | 1.5                 | 2.9                 | 6                   |
| Percentage of recycled, or carbon neutral, content in copy paper purchased (%). | 100                 | 92                  | >90                 |

\*2020–21 targets were identified in the VicTrack Environmental Sustainability Strategy 2017–21. An updated strategy has revised targets for 2021–25.

### Transportation

VicTrack uses a fleet of vehicles for operational requirements. VicTrack's fleet comprised a mix of diesel fuelled 6-cylinder and 4-cylinder vehicles including four-wheel drives (4WDs), and petrol fuelled standard and hybrid vehicles. The total vehicle numbers were similar to 2019–20, only reducing by five across the fleet. VicTrack's fleet energy use and greenhouse gas emissions are presented in Table 6. This data represents all of VicTrack's staff. Table 7 identifies how much VicTrack staff travelled by air and how staff get to and from work.

Table 6 Operational vehicle transport<sup>10</sup>

| Indicator  | 2020–21          | 2019–20          |
|--|------------------|------------------|
| <b>Total energy consumption (MJ)</b>   |                  |                  |
| Diesel 4WD   | 2,917,581        | 2,736,431        |
| Diesel   | 1,016,222        | 1,177,300        |
| Petrol   | 130,165          | 415,723          |
| Hybrid   | 262,913          | 293,729          |
| <b>Total</b>   | <b>4,328,882</b> | <b>4,623,184</b> |
| <b>Total vehicle travel associated with entity operations (km)</b>                             |                  |                  |
| Diesel 4WD   | 739,909          | 772,941          |
| Diesel   | 274,483          | 339,924          |
| Petrol   | 41,391           | 86,160           |
| Hybrid   | 107,737          | 100,498          |
| <b>Total</b>   | <b>1,163,521</b> | <b>1,299,523</b> |
| <b>Total greenhouse gas emissions from vehicle fleet (t CO<sub>2</sub>-e)</b>                  |                  |                  |
| Diesel 4WD   | 205              | 193              |
| Diesel   | 72               | 83               |
| Petrol   | 9                | 17               |
| Hybrid   | 18               | 12               |
| <b>Total</b>   | <b>304</b>       | <b>305</b>       |
| <b>Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (t CO<sub>2</sub>-e)</b> |                  |                  |
| Diesel 4WD   | 0.28             | 0.25             |
| Diesel   | 0.26             | 0.24             |
| Petrol   | 0.22             | 0.19             |
| Hybrid   | 0.17             | 0.12             |
| <b>Total</b>   | <b>0.26</b>      | <b>0.23</b>      |

<sup>10</sup> Vehicle energy consumption, kilometres travelled and greenhouse gas emissions data for years prior to 2020–21 are for the 12-month period June 2019 to May 2020 to coincide with the availability of data for reporting. The 2020–21 data is for July 20 to June 21.

Table 7 Other travel

| Indicator  | 2020–21 | 2019–20 | 2018–19 | 2017–18 | 2016–17 |
|--|---------|---------|---------|---------|---------|
| Air Travel: Total distance travelled by air (km)   | 59,172  | 468,118 | 111,663 | 119,998 | 84,874  |
| Percentage of employees using sustainable transport (public transport, cycling, walking or carpooling) to get to and from work, by locality type. <sup>11,12</sup> | 89      | 8,812   | 9,313   | 84      | 86      |

<sup>11</sup> Work from home category collected in 2019–20 and counted as a sustainable travel option.

<sup>12</sup> The data for employee mode of transport represents data from approximately 49 per cent of employees.

### Result

Total kilometres travelled by operational vehicles reduced by approximately 10 per cent between 2019–20 and 2020–21. The number of operational vehicles also reduced by nine per cent. The total greenhouse gas emissions for vehicle use in 2020–21 remained consistent with 2019–20. COVID-19 did not affect the operational fleet car usage and distance travelled.

Distance travelled by air decreased by 87 per cent from 2019–20. This decrease is due to the COVID-19 restrictions limiting both interstate and international business travel.

While most of the VicTrack workforce continued to work from home due to COVID-19 restrictions, 89 per cent of staff adopted some form of sustainable transport when they did commute to the offices, maintaining a high level of sustainable transport use.

### Actions

Most staff remained working from home for the majority of 2020–21 due COVID-19 restrictions. Staff minimised travel by using telephone, video conferencing tools and GIS mapping software in lieu of travelling for face-to-face meetings and site inspections whenever possible.

### Targets

VicTrack has not yet met either of the targets outlined in the Environmental Sustainability Strategy 2017–21. VicTrack intended to change over a number of its fleet vehicles to hybrid in 2020–21, however this was not possible due to shortages in supply. Also, many of VicTrack's vehicles are used for operational purposes for which there are currently no electric or hybrid options.

Table 8 EMS transport target

| KPI  | 2020–21 performance | 2019–20 performance    | Target for 2020–21 |
|--|---------------------|------------------------|--------------------|
| Percentage of VicTrack fleet with hybrid, electric or low-emission fuel technology (%)   | 12                  | 8<br>(7 fleet hybrids) | 30                 |
| Percentage of staff surveyed that use sustainable transport methods to/from work (includes walking, cycling, carpooling or public transport) (%) | 89                  | 88                     | 90                 |

## Waste

VicTrack continues to focus on reducing the amount of waste that is going to landfill and uses a number of recycling processes to divert waste from landfill across the business. In 2020–21 VicTrack continued to improve its waste and recycling data. Waste data is provided from both on-site weighing of waste and recycling volumes, and from external recycling providers.

At 1010 La Trobe Street, the building managed waste separation system is used, which allows for the segregation of waste into the following four streams:

- Cardboard and paper recycling
- Co-mingled recycling
- Green waste/organics
- Landfill

VicTrack continued to implement the following voluntary recycling programs in addition to those provided in the building:

- Secure document recycling
- E-waste
- Batteries
- Printing toner and toner cartridge packaging
- Soft plastics, office materials, and mail packaging
- Single use coffee cup recycling

With the introduction of VicTrack's Operational Telco site into the reporting since 2019–20, metals, copper, pallets, polystyrene and plastic foam materials are included in the recycling data.

VicTrack's waste and recycling data is outlined in Tables 9 and 10.

Table 9 Waste<sup>13</sup>

| Indicator                                | 2019–20                          |                         |                                 |                 |                      |  |                               |                                    |  |                |
|--|----------------------------------|-------------------------|---------------------------------|-----------------|----------------------|--|-------------------------------|------------------------------------|--|----------------|
|  | Cardboard/<br>paper<br>recycling | Co-mingled<br>recycling | Secure<br>document<br>recycling | Green<br>waste  | Landfill -<br>office | Other<br>recycling -<br>office <sup>14</sup> | E-waste<br>returned to<br>use | Operational<br>Telco -<br>landfill | Operational<br>Telco<br>-recycling <sup>15</sup> | Total<br>Waste |
| Total waste disposed of (kg/yr)          | 1,587                            | 2,503                   | 8,313                           | 1,259           | 4,249                | 1,058  | 4,300                         | 2,000                              | 6,701  | 31,970         |
| Total waste disposed of per FTE (kg/FTE) | 4.1                              | 6.4                     | 21.3                            | 3.2             | 10.9                 | 2.7  | 11.0                          | 5.1                                | 17.2   | 82             |
| Indicator                                | 2020–21                          |                         |                                 |                 |                      |  |                               |                                    |  |                |
|  | Total waste disposed of (kg/yr)  | 3,425                   | 180.3                           | - <sup>15</sup> | 35                   | 2,089  | 5,760                         | 17                                 | 1,800  | 8,445          |
| Total waste disposed of per FTE (kg/FTE) | 9.18                             | 0.5                     | - <sup>15</sup>                 | 0.1             | 5.6                  | 15.44  | 0.1                           | 4.86                               | 22.6   | 30.9           |

<sup>13</sup> Other Recycling – Office – refers to VicTrack's recycling of coffee cups, office e-waste, batteries, mobile phones, toner cartridges and waste toner.

<sup>14</sup> Operational Telco – Recycling – refers to all recycling from Sunshine Warehouse including cardboard, wooden and plastic pallets, polystyrene and plastic foam, metals, batteries and soft plastics.

<sup>15</sup> Secure Document Destruction Data for 2020-21 is now reported under recycled paper and e-waste streams.

Table 10 Waste diversions and emissions

| Indicator   | 2020–21 | 2019–20 | 2018–19 |
|---|---------|---------|---------|
| Waste diverted from landfill rate (% of total waste by weight)    | 82      | 80      | 80      |
| Greenhouse gas emissions associated with waste disposal (t CO2-e) | 6       | 8.75    | 6.08    |

## Result

Due to COVID-19 and most staff working from home, VicTrack's office and operational waste significantly reduced from 2019–20 period by 38 per cent.

Waste disposed to landfill by office staff in 2020–21 significantly reduced when compared to 2019–20, and an 82 per cent diversion from landfill was achieved in 2020–21.

Telco operations recycled a large volume of batteries in 2020–21, leading to a 21 per cent increase in the telco operations recycling rate.

VicTrack also recycled 1,552 disposable coffee cups in 2020–21, an 87 per cent reduction on the previous year, attributed to staff predominantly working from home.

## Actions

VicTrack continued to raise awareness for recycling and material reuse in 2020–21. VicTrack hosted a number of lunch and learn sessions to introduce the ecologic material reuse and circular economy principles into our ways of work.

Material reuse awareness has been successful with the following reuse opportunities realised in 2020–21:

- Reuse of office furniture and fit out materials, reducing waste from office fit out projects
- Reuse of materials on infrastructure projects delivered for third parties:
  - Hurstbridge: use of recycled plastic wheelstops, recycled base layer rock CI3
  - Craigieburn: use of pavement base layer rock CI4, footpath crushed rock CI3 Stormwater Bedding and Backfill, recycled asphalt material (15 per cent), recycled glass in bedding sand
  - Sandown: reuse of cut clean soil material for under footpaths and landscaping topsoils in areas
- Donation of timber offcuts from vegetation maintenance works to people with disability and underprivileged for use as firewood for home heating.

## Targets

In 2020–21 VicTrack exceeded the targets identified in the Environmental Sustainability Strategy 2017–21.

Table 11 Waste targets

| KPI   | 2020–21 Performance | 2019–20 Performance | Target for 2020–2021* |
|---|---------------------|---------------------|-----------------------|
| Kilograms of office waste disposed of to landfill per FTE by from offices (kg/FTE). | 0.78                | 10.9                | <23.6 <sup>16</sup>   |
| Recycling rate (percentage of total waste volume that is recycled). (%)             | 82                  | 80                  | 60                    |

\*2020–21 targets were identified in the VicTrack Environmental Sustainability Strategy 2017–21. An updated strategy has revised targets for 2021–25.

<sup>16</sup> 10 per cent reduction from baseline of 26.3 kg per FTE.

## Water

VicTrack's head office houses over 95 per cent of VicTrack employees and is located in a 5-Star rating building at 1010 La Trobe Street, Docklands. 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.

Water consumption is not metered separately and is charged to building management, 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.

## Actions

While not related to office impacts, VicTrack implemented a number of beneficial water initiatives for projects it delivered for third parties in 2020–21:

- Hurstbridge: Water Sensitive Urban Design (WSUD) in the form of a bio-filtration, which filters heavy metals and hydro-carbons from the stormwater pipeline
- Craigieburn: attenuation and bioretention basin to retain and treat stormwater prior to discharge out of site boundary to legal point of discharge
- Sandown: attenuation/bio retention basin installed to capture and filter surface run-off from car parks prior to discharge into stormwater system
- Epping: bioswale installed to capture and filter surface run-off from car park prior to discharge to stormwater system

## Greenhouse gas emissions

The emissions disclosed in Table 12 provide a summary of VicTrack's greenhouse footprint. The data presented here has been taken from previous sections and summarised.

Table 12 Total emissions

| Indicator  | 2020–21 | 2019–20 | 2018–19 | 2017–18             | 2016–17         | 2015–16 |
|--|---------|---------|---------|---------------------|-----------------|---------|
| Total greenhouse gas emissions associated with energy use (t CO2-e) (office)                   | 794     | 945     | 1,038   | 1,081 <sup>17</sup> | 1,003           | 1,102   |
| Total greenhouse gas emissions associated with energy use (t CO2-e) (operational facilities)   | 126     | 99      | 128     | 140                 | 184             | 56      |
| Total greenhouse gas emissions associated with energy use (t CO2-e) (miscellaneous facilities) | 154     | 84      |         |                     |                 |         |
| Total greenhouse gas emissions associated with energy use (t CO2-e) (data centres)             | 1840    | 2,073   | 2,294   | 2,561               | 2,629           | 3,083   |
| Total greenhouse gas emissions associated with vehicle fleet (t CO2-e)                         | 311     | 305     | 375     | 316                 | 314             | 378     |
| Total greenhouse gas emissions associated with air travel (t CO2-e)                            | 50      | 88      | 10      | 11                  | 12              | 4       |
| Total greenhouse gas emissions associated with waste production (t CO2-e)                      | 6       | 9       | 6       | 7                   | - <sup>18</sup> | 9       |
| Total greenhouse gas emissions (t CO2-e)   | 3,281   | 3,602   | 3,851   | 4,117               | 4,142           | 4,632   |

<sup>17</sup> Electricity consumption for August 2017 and June 2018 has been estimated by the energy supplier.

<sup>18</sup> No waste audit data collected for 2016–17.

## Result

Total reported greenhouse gas emissions for 2020–21 reduced by nine per cent compared to the previous year. This is predominantly due to a reduction in emissions related to working from home due to COVID-19.

When compared to the 2015–16 baseline, VicTrack has reduced its annual greenhouse gas emissions by 29 per cent.

## Procurement

VicTrack continued to incorporate environmental considerations into procurement decisions in 2020–21. Activities included:

- a specific sustainability tender schedule, with tender evaluation criteria, in its tender processes, where appropriate
- encouraging clients and our project managers to incorporate material reuse into project designs and scopes.

Tenders, contracts, or products for which VicTrack incorporated sustainability clauses or specifications in 2020–21 included:

- Office consumables - Set sustainable options as the default when purchasing goods
- Paper – require the purchase of paper with recycled content or carbon neutrality
- Projects – with sustainability clauses or specifications:
  - Ballarat Bus Interchange
  - Bendigo Metro
  - Belgrave
  - Epping
  - North East Line Level Crossings Upgrade

## Compliance with Data Vic 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.

## VicTrack Financial Management and Compliance Attestation Statement

I, Geraldine Gray, on behalf of the Responsible Body, certify that VicTrack has complied with the applicable Standing Directions made under the *Financial Management Act 1994* and Instructions.

The VicTrack Audit and Risk Management Committee verifies this.



Geraldine Gray

Chair  
Victorian Rail Track (VicTrack)  
16 September 2021

## Disclosure index

VicTrack's Annual Report 2020–21 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

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Charter and purpose

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# Appendix



Image: A commuter accesses the 4G network at a City Loop station

## Appendix 1: Biographies of Board of Directors

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 six independent, non-executive Directors – Geraldine Gray (Chair), Alan Hall (Deputy Chair), Dr Collette Burke, Jenny Dawson, Dan O'Brien and Randall Straw.

### **Geraldine Gray - Chair**

BA, LLB, LLM

Geraldine has spent more than 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 and Lymphoma Group Ltd. Geraldine was appointed to the VicTrack Board in July 2015.

### **Alan Hall - Deputy Chair**

BA, LLB (Hons)

Alan is an experienced former legal practitioner with demonstrated ability and success in leading and managing the delivery of legal services relating to commercial and property-based transactions, with particular emphasis on planning and environmental considerations. He has more than 23 years' experience as a partner in legal firm Corrs Chambers Westgarth and for more than five years practised law in the Kingdom of Saudi Arabia at Al Tamimi & Company - an Arab law firm with the biggest legal presence in the Middle East.

Alan has also provided legal advice to some of the largest Victorian and Australian corporations and government departments including Major Projects Victoria, Department of Treasury and Finance, Foster's Group Limited, Coles Myer Limited, ING Real Estate and the Linfox Group. Alan was appointed to the VicTrack Board in April 2018.

### **Dr Collette Burke**

BE (Civil), M.Eng.Sci, PhD, FIEAust, GAICD

Collette has spent more than 25 years in the design and construction sector with major infrastructure construction organisations, as well as being a co-founder of engineering consultancy companies Exner Group and Karsta Middle East. Collette has a passion for project delivery, infrastructure development, the application of technology in asset management, and the future needs of our cities. Collette joined VicTrack's board in July 2015 and relishes working with VicTrack to see its continued evolution.

### **Jenny Dawson**

B Bus (Acc), FCA, MAICD

Jenny has significant corporate governance experience, having been a non-executive director for over 20 years. She is the current Chair of Sandhurst Trustees and a Victorian Divisional Councillor of the Australian Institute of Company Directors (AICD). Jenny's prior experience includes 15 years as a Director with ASX-listed Bendigo and Adelaide Bank, where she chaired the Audit Committee, and three years as Chair of V/Line Corporation.

Prior to her non-executive director career, Jenny spent 10 years with Arthur Andersen in its audit and IT controls division and has experience in the areas of financial reporting and audit, IT internal control reviews, internal audit and risk management. Jenny was appointed to the VicTrack Board in October 2020.

### **Dan O'Brien**

B Ec., Post Grad Dip Econ., GAICD

Dan has a wealth of experience in senior executive roles in the private and public sectors. Dan was the General Manager of Corporate Affairs for Medibank Private. Prior to that he was the Deputy Secretary for the Department of Regional Australia, Local Government, Arts and Sport. He served as the Chief of Staff to the Premier of Victoria, the Honourable John Brumby and was also the Chief Executive of Regional Development Victoria. He is currently Chief Executive Officer, Cladding Safety Victoria. Dan was appointed to the VicTrack Board in August 2018.

### **Randall Straw**

PSM

Randall has more than 35 years' experience in government information and communications technology. He is the former Deputy Secretary of Innovation and Technology at the then Department of Business and Innovation, and a former Executive Director at Multimedia Victoria. Randall has also held other technology-focused policy roles and has extensive knowledge of and experience in the management of large-scale reform projects. Randall is currently the Chair of CenITex. Randall was awarded the Public Service Medal in 2012 and was appointed to the VicTrack Board in September 2017.





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