



VicTrack
Annual Report 2007–08



Restoration of Maryborough Station nearing completion.
Cover: Seth Rintoule at Moreland Station.







Moreland Station.



Letter to the Minister

18 September 2008

The Hon Lynne Kosky MP
Minister for Public Transport and the Arts
Level 16, 121 Exhibition Street
Melbourne Victoria 3000

Dear Minister,

I have much pleasure in submitting the Annual Report for VicTrack for the period of 1 July 2007 to 30 June 2008 for your presentation to Parliament.

Yours sincerely



Elana Rubin

Chair

Contents

Introduction

VicTrack – a snapshot	3
Mission, Vision and Values	4
Highlights 2007–08	5
Report from the Chair	6
Report from the Chief Executive	8
Government Policy Framework	10
Core Functions and Business Units	12
Members of the Board	13
Executive Team and Organisation Structure	14

Outcomes

Ensuring Safety and Security	17
Facilitating Accessible, Reliable and Integrated Public Transport	23
Managing Victoria's Rail Assets	27
Improving Freight Efficiency	30
Supporting Efficient Government	32
Protecting Rail and Tram Heritage	35
Working for the Community, Caring for the Environment	39
Developing Our People	44
Improving Corporate Performance	46

Statutory and Financial Reporting

Corporate Governance	50
Statutory Information	54
Financial Performance	56
Financial Report	59
Independent Auditor's Report	60
Disclosure Index	99



Introduction

VicTrack – a snapshot

VicTrack is a government rail agency whose charter is to operate commercially in adding value to the state's public transport (primarily rail) assets and to support the delivery of public transport services in a safe and efficient manner.

The corporation was created in 1997 under section 8 the *Rail Corporations Act 1996* and is a State Owned Enterprise with an independent Board reporting to its sole shareholder, the Victorian Government. Declaration as a State Owned Enterprise took effect in July 2007 and created a dual reporting line to both the Minister for Public Transport and the Treasurer.

Revenue from VicTrack's property, telecommunication and other commercial activities funds its operations and infrastructure projects, ranging from extensions to its fibre optic network to investments in freight terminals under its control. The revenue also funds a wide range of social and environmental activities including:

- the restoration of heritage rail buildings and other assets
- providing more than 400 leases of railway land to local councils and community groups and clubs at non-commercial rentals
- a significant ongoing program of land decontamination, and asbestos and flora and fauna management.

VicTrack's operations and projects are either directly funded by other arms of government, or from its own cash flow from its commercial operations.

VicTrack is the legal owner of Victoria's railway land, infrastructure and much of its rolling stock. However, almost all these assets are leased to Victoria's rail and tram operators via the Director of Public Transport. VicTrack has no role managing them or delivering public transport or rail freight services.

In its various businesses, VicTrack works closely with the Department of Transport and Department of Treasury and Finance, public transport franchisees, telecommunications carriers, VicUrban, VicRoads, local councils and a broad range of other stakeholders including peak industry bodies and community groups.

Mission, Vision and Values

Mission

VicTrack's mission is to improve the value of assets it manages for the state and deliver a range of commercial services and projects that improve Victoria's transport system and contribute to the state's liveability and sustainable economic development.

Vision

To grow as a commercially sustainable corporation that supports the delivery of government policy and achieves triple bottom line outcomes through a strong commercial focus, environmental sensitivity and provides a range of social benefits to Victorian communities.

Values

Client focus: we inspire trust and confidence through our expertise and commitment to our clients.

Accountability and results: we create an environment where we accept responsibility and take ownership and pride in achieving our goals.

Empowerment: we strive for a culture that motivates, builds confidence and a sense of achievement.

Working together: we create unity by harnessing the different perspectives of our people to reach a common goal.

Respect and trust: we build the confidence and trust of our people to communicate freely in an accepting and supportive environment.

Growth and innovation: we grow through innovation, continuous improvement and change.

New horizons: we invest in personal and organisational growth through continuous learning and development.

Broader view: we develop a corporate plan with our stakeholders, which identifies our strategic goals to achieve our social, economic and environmental responsibilities.



Highlights 2007–08

- Upgraded safety protection at 45 level and pedestrian crossings – the target for the year and the highest number completed under the upgrade program so far – and upgraded 13 pedestrian crossings to meet Disability Discrimination Act requirements.
- Completed installation of active advance warning signs at three regional highway crossings and completed the planning and preliminary design for 25 other such installations.
- Completed a risk ranking of all Victoria's level crossings using the Australian Level Crossing Assessment Method (ALCAM).
- Completed bridge rehabilitation projects at Dimboola, Woodend, Stawell and Traralgon Stations and at Gellibrand Street, Colac and Wyndham Street, Kerang.
- Provided for the first time, services for the METROL Disaster Recovery Site, CCTV storage and associated functions at VicTrack's data management facility.
- Preparation by Major Projects Victoria for VicTrack of a draft master plan for the long-term development of part of the Dynon rail yards known as E-Gate, and 10 municipal strategic plans in partnership with local councils and the Department of Transport as part of long-term planning for VicTrack land.
- Completed construction of seven offices/warehouses in Stubbs Street, Kensington and refurbishment of historic railway shops under Glenferrie and Auburn Stations.
- Completed major heritage restoration works at Maryborough Station and at 13 other heritage-listed railway buildings.
- Designed a technical and services solution to provide a Whole-of-Government high-speed data network connecting key government sites in Melbourne.
- Worked with the Department of Transport on the provision of network transmission services for critical communication and security-related projects such as the Digital Train Radio System, METROL replacement and CCTV upgrades.



- Provided more than 400 fixed line data services and 4000 wireless connections for KAMCO, the partner providing Victoria's New Ticketing Solution.
- Completed the second year of the Fibre Extension Strategy involving an additional 106 kilometres of new fibre optic cable to improve metropolitan data and voice services.
- In conjunction with partner, P&O Trans Australia grew container train traffic in the Dynon Intermodal Terminal.
- Achieved reaccreditation as a rail operator under the *Rail Safety Act 2006* for track management within the Dynon precinct and associated areas.
- Funded under the VicTrack heritage program the restoration of two *Spirit of Progress* carriages for the historic train's 70th anniversary trip between Melbourne and Albury on 25 November 2007.
- Completed significant audit and remediation works of contaminated land at Montague Street, South Melbourne and the former Thornbury tram depot, with the latter site sold to the Department of Human Services for an aged care facility.

Report from the Chair

Elana Rubin



This has been another year of change for VicTrack, and another year of delivering economic, social and environmental outcomes for the Victorian Government and the community.

VicTrack operated for the first time this year under the State Owned Enterprises Act, strengthening the organisation's focus on identifying and implementing Whole-of-Government solutions to a range of rail, land use and telecommunications challenges across the state.

Of particular note is the unprecedented achievement of VicTrack's Asset Management Group, which successfully upgraded safety protection at 45 road and pedestrian level crossings as part of the Victorian Government's critical Level and Pedestrian Crossing Upgrade Program.

This was in addition to upgrading 13 pedestrian crossings to Disability Discrimination Act standard and installing three Active Advanced Warning Signs, including one at the site of the tragic Kerang level crossing accident.

Reflecting the importance of this program to both the government and the community, an even more ambitious works schedule will be implemented this coming financial year.

The Commercial Group's work for Victorian Government departments and agencies in designing a private network and services solution to deliver high-speed data network bandwidth is an excellent example of delivering Whole-of-Government outcomes.

Similarly the audit and remediation of the Thornbury Tram Workshops by the Environmental Group, which has provided the Department of Human Services with a much needed site for the development of an aged care facility.

The Property Group's ongoing strategic work with local councils to determine the most appropriate use for surplus VicTrack land has resulted in some 48 opportunities being identified. These include potential affordable housing developments.

The Rail Business Group continues to upgrade and expand its services at the Dynon Intermodal Terminal in partnership with P&O Trans Australia, increasing competition at the Port of Melbourne and growing container train traffic.

In addition to these economic outcomes, VicTrack's work continued to deliver social dividends for the community.



Students from Sandringham Primary School at the upgraded pedestrian crossing at Abbot Street, Sandringham.

VicTrack's heritage program has again ensured that historic rolling stock and railway stations are restored and preserved, with 14 projects throughout the state funded by the Heritage Panel.

And, our ongoing support for the Landcare program, together with VicTrack's proactive asbestos auditing and remediation program, continues to reflect the organisation's commitment to the environment and sustainability.

None of these important outcomes could have been achieved, however, without the continued efforts of the hardworking staff at VicTrack.

On behalf of the Board and VicTrack management, I would like to thank them for their contribution to another successful year.

I would also like to welcome James Cain to the Board and to thank the Board for its leadership and commitment, and our colleagues at the Department of Transport, with whom we have a strong and constructive relationship.

Minister Kosky's ongoing support and that of her staff, is also much appreciated by the Board and VicTrack management.

I would also like to acknowledge Greg Holt, who during his tenure as CEO of VicTrack played an important role in enhancing VicTrack's financial reporting processes.

Finally, on behalf of the Board I would like to welcome VicTrack's new Chief Executive, Bob McDonald, who is starting at an exciting and challenging time for the organisation.

Of particular note is the unprecedented achievement of VicTrack's Asset Management Group, which successfully upgraded safety protection at 45 road and pedestrian level crossings as part of the Victorian Government's critical Level and Pedestrian Crossing Upgrade Program.

Report from the Chief Executive

Bob McDonald



The main focus for VicTrack over the past year has continued to be on the delivery of transport-related services, with increasing concentration on providing Whole-of-Government services and solutions.

This dual emphasis was exemplified by two achievements: the delivery of targets for the government's Level and Pedestrian Crossing Upgrade Program, and the response to the government's need for a high-speed data network connecting key departments in Melbourne and the regions (iGSN).

The Property Group's ongoing work with local councils not only reflects the spirit of *Melbourne 2030*, but also in suburbs like Glen Waverley, will deliver on the promise of that major government planning policy.

VicTrack intensified its drive to facilitate affordable housing by identifying suitable sites through the ongoing strategic planning process. This is expected to lead to a long-term partnership with the Office of Housing in close collaboration with Major Projects Victoria and the Department of Planning and Community Development.

In addition to designing the solution to the government's data network needs, VicTrack has continued to expand its fibre optic network to support critical transport projects and to provide opportunities to deliver broadband services to other government customers.

Underpinning all these initiatives is VicTrack's own commitment to provide direct benefits to the community and the environment.

The successful support for Landcare's Grassroots program has continued, and work has started on developing a framework for identifying, developing and implementing initiatives that will make VicTrack's business more environmentally sustainable.

The creative relationship that has developed with Interchange Victoria, a charity that provides respite care for children and young adults with disabilities, is making a real difference to the lives of many Victorian families.



Stubbs Street development, Kensington.

All these are examples of the many positive economic, social and environment outcomes for the 2007–08 financial year.

It is important to note that VicTrack has again met its financial obligations to the state by meeting all of its targets, and with its refined focus, is in an excellent position to continue to deliver on its financial responsibilities in 2008–09.

The challenge for the coming year will be to consolidate the business behind VicTrack's new focus to ensure the successful implementation of major projects such as iGSN, while continuing to maximise the commercial value of its rail and property assets for the benefit of the state.

I would like to take this opportunity to thank the Board and Minister Kosky for the ongoing support they have given me since taking up this position.

Of course, it is the staff at VicTrack who make the organisation and ensure its success and I thank them for their continuing good work.

The creative relationship that has developed with Interchange Victoria, a charity that provides respite care for children and young adults with disabilities, is making a real difference to the lives of many Victorian families.

Government Policy Framework

With a diverse portfolio of activities, VicTrack actively supports a range of policies of the Victorian Government.

Growing Victoria Together

Growing Victoria Together is the Victorian Government's overarching policy framework for making Victoria a stronger, more caring and innovative state. A vision for Victoria to 2010 and beyond, it is underpinned by the government's other major policies and strategies. Key policies most relevant to VicTrack's diverse portfolio of activities are detailed below.

Meeting our Transport Challenges

Meeting our Transport Challenges, released in 2006, provides an action plan for expanding the reach and performance of Victoria's transport system over the next 25 years. It builds on the *Linking Melbourne*, *Metropolitan Transport Plan* and the *Moving Forward* statement for provincial Victoria.

The action plan injects an extra \$10.5 billion into transport infrastructure and services to provide better travel choices, maintain Victoria's liveability and support the state's sustainable development. Projects to improve the capacity, reliability and safety of the rail network are a major focus of the plan.

The main transport policy outcomes VicTrack is striving to support are:

- Improve the safety and security of public transport.
- Support the delivery of reliable, accessible and integrated public transport.
- Support the provision of cycling facilities.
- Contribute to Victoria's productivity by improving rail freight efficiency.

Melbourne 2030

Melbourne 2030, Planning for Sustainable Growth, provides a planning strategy for the whole of metropolitan Melbourne. It establishes broad policies to help build a more sustainable, compact city and for how and where development and supporting transport infrastructure should occur. In particular, the strategy promotes new development, both private and commercial, in and around activity centres well-served by public transport.

The main planning and land use policy outcomes VicTrack is striving to support are:

- Contribute to the integration of land use and transport planning to build a more compact, sustainable city and support the creation of vibrant communities.
- Facilitate appropriate developments around railway stations and activity centres utilising our unique position in the state's range of agencies.
- Clearly and strongly support Transit Cities' developments.
- Support the provision of affordable housing in Victoria.



Victorian Premier, John Brumby, and Public Transport Minister, Lynne Kosky at the launch of the completed Craigieburn Rail Project.

Efficient Government Policy and Broadband Framework, Pathway to the Future

The *Efficient Government Policy* outlines savings that could be achieved in the Victorian Public Service by being more efficient in a number of areas including the integration of IT and the use of shared services.

The *Broadband Framework* outlines strategies to make Victoria one of the best connected communities and most effective users of broadband in the world. Strategic thrusts of the framework include the delivery of telecommunications infrastructure, improved delivery of government services and reduced costs for households and businesses.

The main telecommunication policy outcomes VicTrack is striving to support are:

- Boost access by government and semi-government bodies to broadband services and reduce their costs.
- Enhance the state's network assets for existing and potential future users by widening the fibre network's coverage and building its internal resilience.

Victoria's Heritage, Strengthening our Communities

The Victorian Government heritage strategy, *Victoria's Heritage, Strengthening our Communities*, is a strategic framework that recognises and protects Victoria's indigenous, natural and built heritage.

The strategy provides new ways of recognising and protecting the state's rich heritage, understanding our links with the past and improving the coordination of government heritage resources across Victoria.

The main heritage strategies VicTrack is striving to support are:

- Promote regeneration of Victoria's publicly accessible places and collections.
- Recognise and celebrate the diversity of Victoria's heritage and acknowledge the places and objects, which are special to Victorians.
- Monitor the condition of Victoria's valuable heritage.
- Better coordinate heritage resources across government agencies.

Core Functions and Business Units

VicTrack is structured into four main business units, supported by a corporate group comprising finance, human resources, legal, safety, environment and risk and stakeholder and community relations. VicTrack also administers the Rolling Stock Holdings group of companies on behalf of the state.

The main businesses and their functions are:

Property Group

The Property Group is responsible for a large property portfolio including:

- commercial development
- business, community and other leasing
- licensing
- land assessment
- sales and acquisitions
- service access
- land records.

Commercial Group

(Telecommunications, IT and Outdoor Advertising)

The Commercial Group is responsible for:

- managing a wide network of fixed fibre optic and copper cabling and a substantial wireless network
- supplying rail and tram operators with a diverse range of telecommunications services under commercial contracts
- leveraging surplus network capacity to improve broadband access for the government sector
- maintaining and improving yield of the outdoor advertising site portfolio.

Asset Management Group

The Asset Management Group is responsible for:

- maintaining rail infrastructure and certain assets (such as buildings and bridges) not leased to the Director of Public Transport
- delivering a wide range of infrastructure capital works projects including:
 - the statewide Level and Pedestrian Crossing Upgrade Program
 - station and car park upgrades
 - restoration of heritage-listed buildings
- administering the Australian Level Crossing Assessment Model (ALCAM)
- providing access to the state's rail engineering drawings under VicTrack's Document Management System.

Rail Business

The Rail Business Group is responsible for:

- managing and developing key rail-based sites in the Melbourne area
- providing rail track access to strategic central Melbourne areas, including Dynon terminals
- managing heritage buildings and overseeing heritage rolling stock leased to rail and tram heritage groups
- providing transport and logistics advice to freight-related authorities and groups
- providing track geometry services to track managers
- managing VicTrack's Rail Safety Accreditation systems.



Works at Drouin Parkway nearing completion.

Members of the Board



LEFT TO RIGHT Elana Rubin (Chair), John Anderson (Deputy Chair), Bruce Cohen, Chris Lovell, Bob McDonald (Chief Executive), James Cain, Martin Bede (Company Secretary). INSET Sam Anderson (Member of Audit and Risk Management Committee).

The VicTrack Board of Directors is responsible for the management of VicTrack's affairs, including corporate governance practices and overall business performance. The Directors are appointed by the Governor-in-Council and are accountable to both the Minister for Public Transport and the Treasurer.

VicTrack Directors are appointed on the basis of their ability to contribute to meeting VicTrack's objectives.

At year end, the Board comprised five independent, non-executive Directors, including the Chair. Current Directors of VicTrack are Elana Rubin (Chair), John Anderson (Deputy Chair), James Cain, Bruce Cohen and Chris Lovell.

Each Director has wide experience with other boards and organisations and together they bring a diverse range of knowledge and business expertise to VicTrack.

Elana Rubin – MA, FAICD, FFin; Chair

Elana Rubin was appointed a Director of VicTrack in July 2000 and Chair on 1 January 2005. Elana is also Chair of the Victorian WorkCover Authority and of AustralianSuper and is a Director of the Industry Superannuation Property Trust, the Transport Accident Commission, Bravura Solutions Limited and Tower Australia Group Limited.

John Anderson – Cert EDP, MACS; Deputy Chair

John Anderson was appointed a Director of VicTrack in April 2000 and Deputy Chair in January 2005. John is Chair of the Heritage Advisory Panel. He holds a senior position with Unisys and is a Director of the West Gippsland Healthcare Group.

James Cain – BPD (Melb), B Bldg (Melb), MBA (AGSM); Director

James Cain was appointed a Director of VicTrack in April 2008. James is a management consultant with experience in property and major capital works in the public and private sectors. His professional experience includes 12 years with Lend Lease Corporation where his roles included Regional General Manager for Victoria, Tasmania and South Australia. From July 2001 to June 2006 he was the Executive Director of Major Projects Victoria.

Bruce Cohen – PhD (PP), MCom, LLB; Director

Bruce Cohen was appointed a Director of VicTrack in January 2005 and is Chair of the VicTrack Human Resources Committee. Bruce is a barrister and a principal in private practice in the area of public policy. He has previously held directorships with VENCORP, Snowy Hydro Limited and Melbourne Water.

Chris Lovell – BA, LLM (London); Director

Chris Lovell was appointed a Director of VicTrack in January 2005 and is Chair of the VicTrack Audit and Risk Management Committee. Chris is the National Managing Partner of law firm, Holding Redlich, and practices in funds management and on large-scale property projects. He is a trustee of the MCG Trust and a Director of Clemenger Communications Limited and the Melbourne Community Foundation.

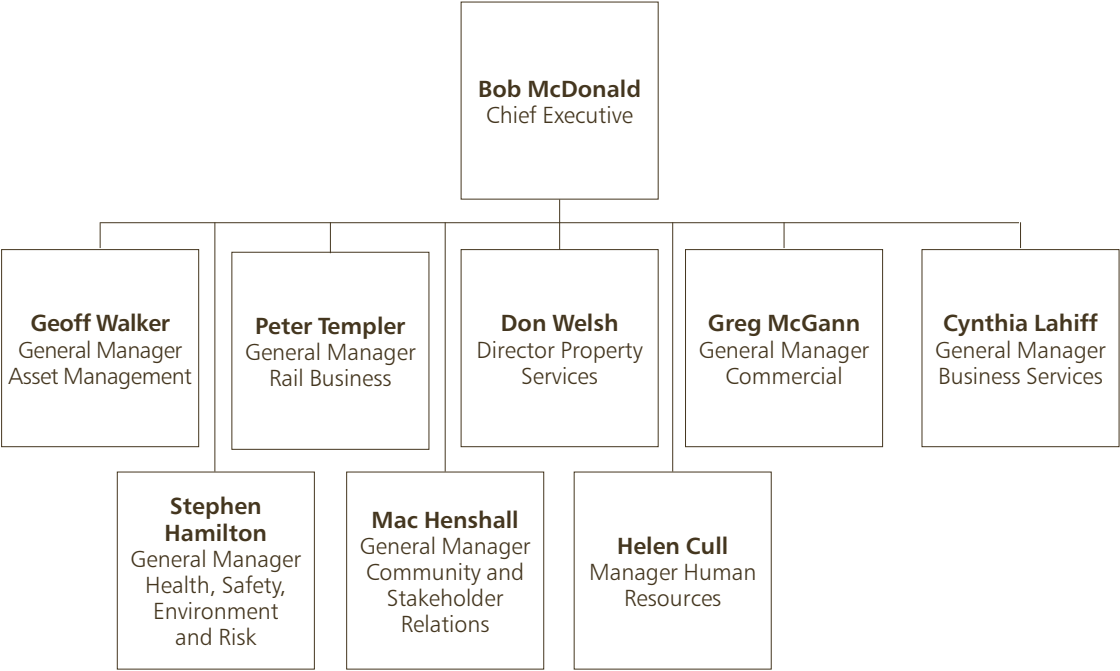
Sam Andersen – LLB, CPA;

Member of Audit and Risk Management Committee

Sam Andersen was appointed to the Audit and Risk Management Committee in October 2005. Sam is Managing Director of Eyecare Partners Limited. She has held senior positions with the ANZ Bank, Commonwealth Bank of Australia and National Australia Bank. Sam was the Chief Financial Officer at Lumacom Ltd and Chief Operating and Financial Officer of Multi-Emedia.com Ltd. Her previous directorships include Superpartners Pty Ltd, Victorian Funds Management Corporation, Multi-Emedia.com Ltd and Youth at Risk Inc.

Executive Team and Organisation Structure

The Executive Team as at the end of the reporting period is shown in the organisation chart.





Outcomes





Ensuring Safety and Security

Ensuring Safety and Security

The single most important outcome for VicTrack across all its Business Units is to ensure the continuing safety and security of people who use and engage with Victoria's rail network and our staff.

VicTrack takes a proactive approach to its responsibilities, from the upgrading of rail and pedestrian level crossings, to supporting the use of CCTV in railway stations across Melbourne.

Highlights 2007–08

Level and Pedestrian Crossing Upgrade Program

The Asset Management Group again delivered against its annual target, upgrading safety protection at 45 road and pedestrian level crossings across Victoria, the highest number delivered by VicTrack to date under the Upgrade Program. This involved installing flashing lights or boom barriers at level crossings and automatic gates at pedestrian crossings.

In addition to meeting this target, 13 pedestrian crossings were upgraded to DDA standard and three Active Advanced Warning Signs (AAWS) were installed at road level crossings – two ahead of the 2007–08 target. The Active Warning signs are being installed as part of the Victorian Government's \$33 million level crossing safety package.

Planning and preliminary design was completed for a further 25 AAWS sites across Victoria.

Australian Level Crossing Assessment Method (ALCAM)

In support of the critical Level Crossing Upgrade Program, a risk ranking of all registered Victorian level crossings was completed using the Australian Level Crossing Assessment Method. This work will inform the development of the Level Crossing Upgrade Program for future years.

VicTrack and VicRoads have also started working closely with local councils – with the support of the Municipal Association of Victoria – to prioritise low-cost treatment works for those level crossings that are not currently listed for upgrades under ALCAM.

Rail Bridge and Footbridge Rehabilitation

More than \$3 million was invested in VicTrack's ongoing program to upgrade the safety of road-over-rail bridges and footbridges, including improving the installation of safety barriers, lighting and anti-slip surfaces.

Places to benefit this year from the program included Colac, Traralgon, Kerang and Dimboola.

Research and Development

The Asset Management Group has undertaken a study focusing on the effectiveness of new technology to improve the safety of pedestrian level crossings being trialled at Centre Road, Bentleigh.

New pedestrian crossing surfaces have also been researched, with a trial planned for 2008–09.



Minister Pike and AFL Kangaroos player, Drew Petrie at the upgraded Arden Street pedestrian crossing, North Melbourne.



Refurbished Dimboola Railway Station step bridge.

Telecommunications

VicTrack's Commercial Group has been building communications infrastructure for the Department of Transport's new Digital Train Radio System (DTRS), which will replace the current analogue system. The DTRS will provide voice and data communications on a single technology platform with coverage to all track sections in the Melbourne's metropolitan rail network.

VicTrack has assisted the Department in establishing its METROL Disaster Recovery facility through the migration, provisioning, commissioning and testing of communications services at its new Control and Data Centre. VicTrack is also providing data centre hosting services to support the Department's CCTV network.

The Commercial Group was responsible for relocating and enhancing yard signaling in the Southern Cross Station precinct, successfully delivering a complex network of data services with connectivity to METROL Train Control, on time and on budget.

Dynon Precinct and Common User Rail Areas

VicTrack's Rail Business Group improved the safety, security and efficiency of its track access management through the introduction of local CCTV cameras in the Dynon Precinct, allowing a more direct overview of daily operations.

In addition, VicTrack has been reaccredited as a rail operator under the *Rail Safety Act 2006*, which has raised the level of safety preparedness including applying broader approaches to the management of risk and interfaces with other operators on the network.

Risk Management

VicTrack's risk management framework was further developed to bring it into line with the Australian Standard 4360 and the Victorian Government's Risk Management Framework.

Internal process improvements included the review and updating of the Enterprise and Business Unit risk registers and treatment plans, and the finalisation of the VicTrack Business Continuity Plan and IT Disaster Recovery Plan.

The Digital Train Radio System will provide voice and data communications on a single technology platform with coverage to all track sections in the Melbourne's metropolitan rail network.



Ms Silby at the Queen Street, Colac crossing before the works started.

Testimonial

Listening and Acting on Community Concerns

VicTrack has been publicly thanked for responding to requests from a Colac resident to improve rail pedestrian crossings in the area for scooter and wheel chair users.

The original program involved upgrading the pedestrian crossings at Armstrong and Hart Streets to meet full disability access standards. The works involved installing new asphalt surfaces, rubber panels across the tracks with tactile markers to assist vision-impaired people, new fencing and signage.

Ms Ruby Sibley, a scooter user, wrote to VicTrack requesting that a similar pedestrian crossing upgrade be undertaken at Queen Street, near where she lives. Her main difficulty was navigating her scooter around the pedestrian 'maze' with the uneven pavement surface.

VicTrack and the Department of Transport supported her request and met her onsite to explain the works and how best she might configure her scooter to make it easier to move around the crossing. The works were undertaken by 30 June 2008.

In a letter to VicTrack, which was also published in the local newspaper, the *Colac Herald*, Ms Sibley expressed her appreciation for the upgrading of Colac rail pedestrian crossings.

"I write on behalf of all scooter and wheelchair users in saying a big grateful thank you to VicTrack and everyone responsible for the upgrading of the Colac Rail pedestrian crossings. I'm sure the users including myself are delighted.

"My very sincere appreciation to you all for listening to my concerns and doing something about it," she said in the letter.

The pedestrian works were part of a bigger level crossing upgrade project that saw boom barriers installed at Armstrong, Cant, Hart and Queen Streets in Colac.



Tim Guerin, Access Coordinator,
at the Dynon Intermodal Container Terminal.



Members of VicTrack's level crossing upgrade team.

Looking Forward

Asset Management will continue to deliver the government's major Level and Pedestrian Crossing Upgrade Program in 2008–09 with a target of upgrading safety protection at a further 45 road and pedestrian level crossings as identified through the ALCAM study.

In addition, 14 pedestrian crossings will be upgraded to DDA standard and 10 Active Advanced Warning Signs will be installed at road level crossings. VicTrack will continue to explore ways to improve the efficient delivery of the Upgrade Program.

A further three pedestrian level crossings at Baxter-Tooradin Road, Baxter, at Wallan Station and at Station Street, Sunbury will be upgraded in partnership with VicRoads and local councils.

The Commercial Group will continue work on the delivery of the Digital Train Radio System including fibre builds, transmission networks and building capability.

Works will also continue in support of the Department of Transport's CCTV network including phase two works and provision of storage solutions.

VicTrack will further enhance its safety systems within the Dynon Intermodal Terminal and its interfaces with other operating companies on the rail network.

As part of VicTrack's continuous improvement culture, the organisation's Risk Management system will be reviewed and there will be test trials of the Business Continuity and IT Disaster Recovery plans.

*VicTrack will further
enhance its safety
systems within the Dynon
Intermodal Terminal and
its interfaces with other
operating companies on
the rail network.*



Fibre optic cable works in the Melbourne Underground Rail Loop.



Facilitating Accessible, Reliable and Integrated Public Transport

Facilitating Accessible, Reliable and Integrated Public Transport

With the increase in population, sustained economic growth and rising petrol prices, Melbourne and Victoria are feeling the effects of a dramatic surge in public transport use.

VicTrack is committed to supporting the Victorian Government where possible to address public transport and land use issues through policy initiatives such as *Meeting Our Transport Challenges, Melbourne 2030* and, in the future, the response to the East West Link Needs Assessment.

Highlights 2007–08

Commercial Development

The Group completed the construction of seven office/warehouses in Stubbs Street Kensington. It also continued to identify and free-up rail land in strategic areas across Melbourne to facilitate housing and office developments that support the government's *Melbourne 2030* vision for activity hubs that are close to or integrate public transport.

In particular, Expressions of Interest were sought for the development of the Moreland Station precinct and significant progress was made in negotiating a land swap with the City of Monash to facilitate a mixed-use residential, retail and office development adjacent to Glen Waverley Station.

In addition, Major Projects Victoria prepared for the Group a draft long-term master plan for the redevelopment of the E-Gate facility.

Strategic Planning

The Property Group's work in partnership with local councils on the formulation of short-, medium- and long-term strategic plans for the development of VicTrack land continued in 2007–08 with the completion of 10 plans for the municipalities of Casey, Darebin, Knox, Maribyrnong, Maroondah, Melbourne, Moonee Valley, Port Phillip, Stonington and Yarra.

The strategic plans include land use recommendations for transport, commercial development, community and affordable housing.

Services and Franchising

VicTrack's program of facilitating shared pathways continued with the development of pathways along the Manningham Street Bridge in Flemington, the Moreland pathway and the Glen Waverley to Syndal pathway.

The Property Group also supported the Melbourne Underground Rail Loop Project, which will ensure mobile phone coverage between Loop platforms across the entire length of the Loop.

myki

VicTrack is providing communication services to KAMCO in support of the Victorian Government's New Ticketing Solution, myki. The solution involves the provision of 400 plus fixed line data services and in excess of 4,000 wireless data services in metropolitan and regional centres.



Artist's impression of the Glen Waverley development.
IMAGE COURTESY HASSELL

Fibre Optic

As part of its ongoing strategy to upgrade the communications infrastructure required to support the rail network, VicTrack has expanded its fibre network to include links from Ringwood to Belgrave, EastLink, CBD to Burwood, CBD to Upfield and Greensborough to Hurstbridge.

With the extra 106 kilometres of fibre constructed and commissioned in 2007–08, the total optic fibre network is now in excess of 1,050 kilometres in length.

Looking Forward

The Property Group's opportunities for 2008–09 include:

- the formulation of a business case by Major Projects Victoria to support the redevelopment of the E-Gate site
- the appointment of design and construct contract and start of the Gardenvale railway precinct improvement project
- release of an Expression of Interest for development of the Glen Waverley project
- release of an Expression of Interest to master plan and develop an Urban Design Framework for the Traralgon Station precinct, in partnership with the City of Latrobe and the Department of Planning and Community Development
- appointment of a development partner for the development of the Moreland Station precinct
- a proposal to develop a multi-site affordable housing portfolio to support government housing policy and meet the shortfall of this housing.

In addition, the Group expects to undertake strategic planning projects in 11 municipalities across Victoria covering Banyule, Bayside, Boroondara, Glen Eira, Greater Geelong, Hobsons Bay, Kingston, Latrobe, Monash, Nillumbik and Wodonga. It will also master plan a number of specific sites.

Over the next financial year, the Commercial Group will continue to work with KAMCO to deliver the myki ticketing system through assisting with design work for Tram Super Stops and helping with data centre site connectivity. The third year of the fibre optic network strategy will also be rolled out.

Don Cameron at Glen Waverley station.



Testimonial

Delivering *Melbourne 2030*

A creative approach to land use and development by VicTrack and Monash City Council is delivering on the vision of *Melbourne 2030* in the heart of the Glen Waverley activity centre.

The basis of the innovative partnership is a land swap with two parcels of land, granting Monash City Council ownership of one parcel that is currently used as a car park and providing VicTrack with access to the second parcel abutting Glen Waverley Station. To facilitate this, the Council will forgo its long-term lease on the site.

The site at the Glen Waverley Station will now be made available to the development industry through an EoI process with a brief to deliver an eight storey multi-use development including retail and office space as well as residential offerings.

The proximity of the development to good public transport and the Glen Waverley activity centre, together with the mixed-use aspect of the building reflects and supports the imperatives of the Victorian Government's urban growth policy, *Melbourne 2030*.

According to Don Cameron, Monash City Council's Director of City Development, the constructive relationship between VicTrack and the Council will result in a quality outcome for Glen Waverley.

"Not only will this cooperation deliver another great outcome for the activity centre, VicTrack and the Council working together on the design and development of the site will also provide a good example of what *Melbourne 2030* can achieve," he said.

"Throughout this process we have consulted broadly and there is community support for the project, which, if all goes to plan, should be finished around three years after the build begins."



Anthony Bendoricchio, owner of Mario's Café, a VicTrack property at Glenferrie Road, Auburn refurbished during the year.



Managing Victoria's Rail Assets

Managing Victoria's Rail Assets

One of VicTrack's core functions is to maintain and maximise the value of the range of assets that it manages on behalf of the Victorian Government and Victorians. These varied assets including rail infrastructure, rolling stock, land, buildings and properties and bridges across the state.

Highlights 2007–08

General Asset Management Projects

As part of the Country Station Upgrade Program, works were completed at Echuca including new toilets and waiting room, at Wangaratta including a new toilet block and at Horsham and Kangaroo Flat.

Commercial Land and Property Project

Work commenced on development of a business case for the redevelopment of the Banana Alley Vaults in the City of Melbourne. VicTrack also restored and refurbished historic railway tenancies under Glenferrie and Auburn railway stations.

The Property Group is progressively implementing a strategic planning process to determine the optimum use of VicTrack land. Land in some 15 municipalities has now been reviewed and for the first five, 48 opportunities have been identified ranging from potential affordable housing development sites to the establishment of environmental corridors.

A four-year land sales program was established with land in rural communities such as Cobram, Mildura, Yarrawonga and Kilmore providing significant commercial and residential opportunities as well as public open space.



Kangaroo Flat Station before upgrade works.



Kangaroo Flat Station after upgrade works.

Business Leasing

Following the successful incorporation of VicTrack's rural leasing business inhouse in 2006–07, metropolitan business leases have been successfully transitioned to Brookfield Multiplex Services Pty Ltd as the new managing agent.

Property Management

VicTrack specified and tendered for facilities management services to VicTrack tenants, with improved response times to address maintenance issues. The successful tenderer, UMS Maintenance, will provide the services for the next three years. The service will also allow better cost reporting and will assist in identifying and proactively managing maintenance matters in the leased property portfolio.

A program of compliance auditing of all of VicTrack leased properties has also commenced as a means of determining the condition of each in relation to building structure, Building Code compliance, Essential Services legislation requirements and OH&S hazards. Compliance issues will then be addressed and proactively managed.

The data collected from this compliance program will be used to create risk profiles for each property so that VicTrack can determine and prioritise rectification works.

Commercial Car Parks

Four commercial car parks were built in inner Melbourne. A car park manager was appointed for one site and arrangements made to appoint a manager for the others.

Looking Forward

During 2008–09, VicTrack's Asset Management Group will upgrade 10 bridges across Victoria under its Bridge Renewal Program.

The Property Group will develop a business case for the proposed North Melbourne railway station affordable housing project.

VicTrack will expand its commercial car parking sites, particularly in the inner suburbs. Also, VicTrack has identified a number of sites that could be used by third parties for the planting of trees to comply with Net Gain legislation. The sites will be offered to the development industry on a commercial long-term basis.

Jan Ballard (FRONT) with Raymond and Evelyn King, on the Dimboola ramp bridge.



Testimonial

Station Upgrade a Cause for Celebration

The beginning of major works to upgrade the historic Dimboola Railway Station Precinct has been a dream come true for the residents of Dimboola and its Town Committee.

The upgrade program, which includes the restoration of the two overhead pedestrian bridges crossing the railway line, the station and gardens, started in 2007 with works on the step bridge.

In addition to connecting the Dimboola Secondary College and Primary School the step bridge is used by many residents needing to access the shopping centre.

Due to its unsafe condition the bridge was closed in December 2006, however following a vigorous campaign by the Town Committee, VicTrack assessed the infrastructure needs and commenced rehabilitation works in August 2007. The step bridge reopened on Friday 26 October 2007 with a celebration morning tea on the station platform.

Since that time works have been undertaken and completed on the ramp bridge. With significant input and assistance from Dimboola's Historical Society, works on the station precinct will start during August 2008.

According to Town Committee Member, Jan Ballard, the town is buzzing with excitement now that the community's efforts to upgrade the station precinct have finally been realised.

"We are extremely grateful to VicTrack and its contractors for their work on the bridges and look forward to our station getting the same treatment," Mrs Ballard said.

"These improvements are a tremendous asset to our town and much more pleasant surroundings for railway staff to work in."

Improving Freight Efficiency



Ross Nacey at the Dynon intermodal Terminal.

Victoria is home to Australia's largest and busiest port, the Port of Melbourne, a major contributor to the economic growth and health of the state.

VicTrack, through the Rail Business Group's management of South Dynon, North Dynon and Creek Siding Terminals, plays a key role in providing access and services to support the efficient maintenance and distribution of freight on rail across Melbourne, Victoria and beyond.

Highlights 2007–08

Dynon Intermodal Terminal

VicTrack provides open rail access to the Dynon Intermodal Terminal and surrounding areas, facilitating opportunities for all rail freight users in Victoria by extending development of the common user rail terminal model.

Three rail operators for regional and interstate traffic operate within the Dynon area and the terminal has contributed to the enhancement of rail freight competition in Victoria and nationally.

Working in partnership with P&O Trans Australia, the Dynon Intermodal Terminal now accepts trains from Perth, Sydney, Adelaide and Brisbane, together with a regional service from Warrnambool, which has increased throughput and provided services to the growing intermodal container market in and around the Port of Melbourne.

During 2007–08 VicTrack also invested in additional rail capacity and hardstand improvements to provide a solid base for the growth expected over the next five years.

Victorian Government Planning Issues

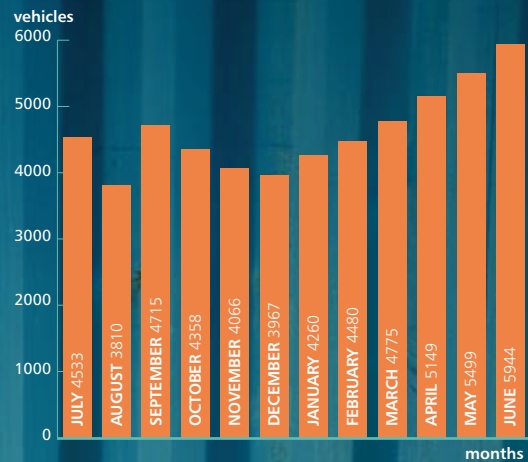
VicTrack's Rail Group continued during 2007–08 to provide input to the Victorian Government's freight and rail planning by taking an active role in projects including:

- Tottenham Dynon rail enhancement program
- Tottenham flyover/bypass
- regional rail network review
- development of Victoria's freight network strategy
- new longer-term lease arrangements for Australian Rail Track Corporation
- changes to the regional infrastructure lease with V/Line
- AusLink projects development.

Looking Forward

VicTrack is planning to develop the Dynon Intermodal Terminal precinct in the coming period with improved loading pavements and additional access capacity to assist in meeting increasing market demands over the next five years.

Dynon Terminal Rail Traffic 2007–08



Note: Dynon Terminal growth continued on 2007–08. PN service relocations to their own terminal affected the first half of the year.

Testimonial

Unique Model for Rail Freight

A unique partnership model implemented by VicTrack and P&O Trans Australia is delivering real economic and competition benefits for the Port of Melbourne and associated areas.

After the withdrawal of Pacific National in 2007 from the Dynon Intermodal Terminal, P&O Trans Australia partnered with VicTrack to operate the facility with a view to increasing competition and expanding the container volumes passing through.

Within the relationship, VicTrack is responsible for managing the rail side of the operation while P&O Trans Australia is the terminal operator with responsibility for interfacing with road and rail users, generating business and maximising the amount of freight being moved on rail rather than road.

Since the start of the partnership, three rail freight companies have begun using the terminal and volumes have increased from zero, at the time of Pacific National's departure, to just under 100,000 TEU per annum following the commencement of a second regional service in August 2008. While the terminal is now almost at capacity, expansion works will allow volumes to increase by a further 50-60% or 150,000-180,000 containers per year.

P&O Trans Australia General Manager Intermodal, Ross Nacey, believes that the relationship with VicTrack is a positive and constructive one that has achieved much with a challenging site.

"This is a unique example in the Victorian industry of a government agency and a private company working together to facilitate government policy; in this case by increasing container volumes on rail and by creating competition within the rail industry where there had previously been a single operator monopoly," he said.

"In 18 months we have taken a declared site and developed a multi-user/open access rail terminal from a zero base. In the process we have facilitated container volumes back to rail that had previously been lost to road."

Supporting Efficient Government



VicTrack has continued its drive to deliver better and more efficient services to the public transport sector. As well, VicTrack has developed a comprehensive set of skills and services across its Business Units that can be utilised by the state to support Whole-of-Government projects and programs.

Intra-Government Secure Network (iGSN)

VicTrack designed a private network and services solution in response to a request from the Department of Treasury and Finance for a technology solution to satisfy increasing Whole-of-Government demand for high-speed data network bandwidth.

The solution will connect CBD locations and two data centres. Known as iGSN – the project will leverage the existing VicTrack fibre network in Melbourne’s CBD and along the Regional Fast Rail corridors and uses state-of-the-art technology to provide high-speed bandwidth connections. On completion, VicTrack will support the system through its Help Desk and Network Monitoring systems.

Drawing Management

In 2006, VicTrack’s Asset Management Group introduced an enhanced Drawing Management System (DMS) website to industry, which radically improved the access and utility of the system. The DMS is a repository for over 500,000 of the state’s technical drawings of Victorian rail infrastructure.

Over the past 12 months, this website has been further enhanced allowing improved functionality including the ability to pre-book drawings. The quality of drawings has also been upgraded with the republishing of 12,000 PDF files.

Through a consultative process with key industry players, the Asset Management Group developed the industry standards VRIOGS Infrastructure Drawing Standards – Level 2-Telecommunications and VRIOGS Infrastructure Drawing Standards – Level 2-Tram Infrastructure.

V/Line Technology Migration

VicTrack worked with V/Line, the state’s regional rail operator, to migrate and update its communication and data services onto VicTrack’s network.



Fibre optic cable laid for Regional Fast Rail services will also support Whole-of-Government broadband needs.

Looking Forward

The delivery of the iGSN project is a major focus for VicTrack in 2008–09. This will require the acquisition of a telecommunications kit and an extension to the existing physical fibre network that will be built by July 2009. After that time, government departments and agencies will progressively take up the services.

VicTrack will also develop a strategy plan for identifying and marketing leasing opportunities for regional and metropolitan business properties. Enhancements will also be introduced to further streamline management of existing leases.





Protecting Rail and Tram Heritage

Protecting Rail and Tram Heritage

VicTrack looks both to the future in its support of the Victorian Government's vision for the state as well as to the past in terms of preserving and protecting the rail history that helped build Victoria.

Highlights

Rail Heritage Panel

VicTrack uses an independent Heritage Panel to prioritise its annual investment of \$1 million on railway heritage. Works are undertaken on mainly heritage-listed buildings and structures but also on rolling stock.

The Panel continued its program of station upgrades for heritage-listed buildings with 14 projects being undertaken across the state over 2007–08.

The centrepiece of the year's building works was the second stage completion of restoration on Maryborough Station, one of the largest such heritage restorations in Victoria. The latest works included the restoration of the remaining wings, the cast iron gutters, balustrades and ornate shields. The total cost of both stages was more than \$1.8 million. The works were done by Period Restoration Services in accordance with Heritage Victoria guidelines and with advice from RBA Architects and Conservation Consultants.

Built in 1890, the station is listed as historically and architecturally significant to Victoria and attracts thousands of visitors each year.

Heritage Rolling Stock

Following the allocation of the Murray Dining Car and Norman Parlor Car to the Seymour Rail Heritage Centre (SRHC) under custodial agreement, VicTrack's Heritage Panel awarded the organisation a \$70,000 grant to restore the *Spirit of Progress* carriages to their original blue and gold art deco livery.



Spirit of Progress locomotive.



Minister Helper at Maryborough Station.



'Suffragette' cable car.

In November 2007, the SRHC operated the complete *Spirit of Progress* train as part of its celebrations of the 75th anniversary of the *Spirit* commencing services. The Centre will continue to run the train in future heritage services.

The first of VicTrack's heritage rolling stock has been included in the Victorian Heritage Register. The vehicles are:

- **Electric Tram No.13** – a four wheel, cross bench car constructed by the JG Brill Company in Philadelphia and assembled in Melbourne in 1906, located at Hawthorn Tram Museum along with other heritage trams
- **'Heavy Harry' steam locomotive** – Victoria's largest and heaviest steam locomotive built in 1941 and located at the Australian Railway Historical Society (ARHS) in North Williamstown.

In addition, to help mark the Centenary of Women's Suffrage, VicTrack provided the Victorian Office of Women's Policy with an historic cable car that was featured in celebrations held at Federation Square.

Looking Forward

VicTrack plans to relocate tramway memorabilia at the Malvern Tram Depot to the Hawthorn Tramway Museum and improve the quality of the items on display with assistance from expert curators.

It will also continue its work with heritage groups across the state to support the ongoing development of heritage rolling stock owned by VicTrack and used by heritage groups on behalf of the state.

Minister Kosky, far right, arriving for the launch with Acting Premier Hulls, rear, Minister Allan far left and Minister Morand to her right.



Testimonial

Traveling the Cable Car to Democracy

For the Suffragists collecting the 30,000 signatures for the 1891 Monster Petition that earned Victorian women the right to vote in 1908, cable cars would have played a major role moving them around Melbourne.

In recognition of this, a 'Suffragette' cable car from VicTrack's heritage museum collection was the centrepiece at the Federation Square launch of Victorian Women Vote 1908–2008 on 19 February 2008, a celebration marking 100 years since Victorian women won the right to vote.

Also as part of the launch, a W-class City Circle tram was painted in Suffragette colours of violet, green and white and used to transport from Parliament House to Federation Square the then Acting Premier, Rob Hulls, the Women's Affairs Minister, Maxine Morand, Public Transport Minister, Lynne Kosky, other parliamentarians and descendants of suffragists and women who signed the 1891 petition.

The launch and ongoing celebrations and events have been coordinated by the Victorian Office of Women's Policy (OWP), which approached VicTrack for support.

According to Mary Bereux, Events and Community Coordinator at OWP, VicTrack was keen to work with the Office early on and was helpful throughout the process.

"The decorated cable car was hung with information posters, set up at Federation Square and proved to be a great backdrop for the launch of the celebrations by the Acting Premier, Rob Hulls and the Minister for Women's Affairs, Maxine Morand," she said.

"The cable car was also a great attraction with people coming to have a look at it and then being able to pick up information on the history of women's suffrage as well as indigenous voting rights in Victoria."



Dr Lyndal Gibbs, VicTrack Environment Manager,
at the Montague Street site, South Melbourne.



Working for the
Community, Caring
for the Environment

Working for the Community, Caring for the Environment

VicTrack is committed to providing a range of benefits to community organisations and individuals to help make local communities stronger, more vibrant and culturally diverse. The organisation is also focused on ensuring that it acts to enhance, protect and rehabilitate the environments in which it operates. These are both essential elements of VicTrack's triple bottom line approach.

VicTrack has developed a dual focus on the environment – proactively auditing and remediating rail land and properties it owns and looking closely at its own business practices to identify and implement strategies that support sustainability.

In this way, VicTrack is moving from a position of cleaning up the contamination of the past to developing sustainable practices into the future.

Highlights 2007–08

Community Leases

VicTrack maintains a significant portfolio of community leases to local councils, a wide range of community organisations and service and sporting clubs for railway land not immediately required for transport purposes.

The land, and in a number of cases unused stations and other buildings, is leased at nominal amounts for short-, medium- and long-term periods.

Community leasing highlights for the past year include:

- granting a lease to the City of Kingston for railway land as part of a community project to inject new life and vigour into the main commercial centre of Mordialloc. In particular, the City plans to reconstruct the forecourt access area of the Mordialloc Railway Station
- facilitating rail trails for walking and cycling to provide a recreational use of former railway land while preserving the natural features of the landscape. In particular:
 - VicTrack has leased to the Indigo Shire Council a former railway reserve to provide for a shared path and a tourist railway from Wahgunyah to Lilliput via Rutherglen
 - VicTrack has offered the City of Greater Shepparton the opportunity to establish a 7.5 kilometre trail from Murchison to Hammond and a 5 kilometre trail at Dookie.



Before anti-graffiti works at North Road bridge.
IMAGES COURTESY CONNEX AND MAINCO.



After anti-graffiti works at North Road bridge.

Graffiti Management

VicTrack has been active in supporting the Department of Transport, Connex, the Department of Justice and other parties in extending the reach and effectiveness of current approaches to graffiti management.

It has also been an active partner with the Department and Connex in funding works to remove graffiti from the Sherbourne Road bridge in Eltham and the North Road bridge in Brighton. These works included the erection of mesh by Mainco to prevent illegal access to these structures by graffiti vandals.

Telecommunications

The successful Victorian Education Research Network (VERNet) program facilitated by the Commercial Group was continued, with communication room accommodation provided for its network rollout strategy. VERNet utilises VicTrack's fibre optic network to provide additional broadband access and links to participating universities and tertiary institutions and is a joint VicTrack and VERNet initiative.

Sponsorship of Interchange

VicTrack has continued to provide significant in-kind support to Interchange, a not-for-profit organisation that gives respite for carers and recreational opportunities for young people with a disability.

VicTrack has supported the charity by providing it free unsold billboard advertising space. During 2007–08, Interchange advertised in four locations, worth in excess of \$50,000 as free media space.

Environmental Works

VicTrack's Environment Group completed remediation works at a heavily contaminated site in Montague Street, South Melbourne and the Thornbury Tram Workshops, which was sold to the Department of Human Services for the development of an aged care facility.



Clean-up works on the Montague Street site.

Over 70 land contamination assessments across VicTrack's land portfolio were completed during the year as part of its proactive remediation program. In addition, the Environment Group's specialised skills were used by other government departments in the project management of a range of land contamination projects including the Mildura Station precinct and the Newport Workshops upgrade project.

VicTrack was involved in the publication of the Victorian Rail Industry Forum's Vegetation Management Guidelines, which provide guidance on legislative requirements and best practice land management techniques for the rail industry.

Water management studies were undertaken at Newport Workshops, Spotswood Rail Depot and Dynon Rail Precinct to assess water use, infrastructure condition and potential system upgrades to improve the efficiency of water use. A water use strategy was subsequently developed for Spotswood Rail Depot to improve onsite consumption and better utilise surplus water on and off the site.



Nicole Baker left, a volunteer Interchange carer, with Chloe Debono.

Testimonial

Helping care for carers

A creative use of VicTrack's outdoor advertising billboards is helping attract volunteers to support Interchange, a charity that provides respite care for children and young adults with disabilities.

The innovative relationship started some years ago, when VicTrack allowed a local Interchange Group in Ballarat to utilise one of their advertising billboards that was not booked for commercial use.

The success of this small project encouraged Interchange Victoria – the marketing body supporting the 16 Interchange Groups across the state – to approach VicTrack's head office to expand the program to Melbourne.

The resulting partnership has allowed Interchange free access to billboards that are not being used commercially in prime positions across Melbourne – including Deer Park, Oakleigh and Albert Park – to advertise Interchange and appeal for volunteers to support its programs.

The sites change regularly across the metropolitan area depending on availability. This means that the Interchange message is getting wide exposure.

According to Interchange Victoria's Public Relations Manager, Kristy Enright, VicTrack's support has been invaluable in helping raise the profile of Interchange and its work and attract volunteers.

"Interchange provides much needed respite for parents and carers of children and young adults with disabilities through its Host and Recreations Programs," Kristy said.

"There are currently 1,500 families across Victoria on our waiting list and we need more volunteers to enable us to provide services to them.

Our experience thus far is that access to the VicTrack billboards to advertise our 1300 number works and we have had more enquires in areas with a billboard than those without," she said.

"VicTrack has just been fantastic to work with and the benefits for our clients are enormous."

People who would like to volunteer to support Interchange can call 1300 300 436 or visit www.interchange.org.au

Asbestos Management

VicTrack's Environmental Group undertook asbestos audits on 310 buildings across its asset portfolio.

In partnership with V/Line, a scope of work and audit program was developed for building assets managed under the Regional Infrastructure Lease to proactively address joint asbestos management responsibilities.

Also in partnership with V/Line, VicTrack completed a major remediation program at the West Tower in North Melbourne.

Landcare Australia

VicTrack continued its support of Landcare Australia's 'Grassroots' Program, which is designed to increase the awareness, protection and growth of native grasses through the provision of grants for specific projects.

Highlights of 2007–08 projects include:

- the Hughes Creek Catchment Cooperative Biodiversity/Productivity Trial, which trialed the introduction of native legumes in healthy stands of native grasses as a means of promoting the goal of 100 percent ground cover on hills and ridgelines
- the Parklands/Albury-Wodonga Inc/Wodonga-Coodgee Rail Trail Restoration, which distributed VicTrack funds among three community groups with an interest in improving the natural conditions of sections of the Wodonga-Coodgee Rail Trail corridor
- the Friends of Iramoo Inc/Wildflowers of the West, which allowed two small projects – an expansion of the Iramoo Seed Orchard and the equipping of Friends of Iramoo Seed Bank with resources to enhance the capacity for processing quality native grass seed stock.

Looking Forward

VicTrack is looking to build on its contribution to local communities in the year ahead, in particular, through playing a more significant role in graffiti management and in extending its support of not-for-profit causes via its unsold billboard advertising.

The Environment Group will complete and implement a sustainability strategy for VicTrack focusing on water, energy, waste management, green purchasing and Health and Safety management.

The Group's proactive land contamination, asbestos and flora/fauna management programs will also continue including the commencement of joint audits with V/Line, of buildings assets being managed under the Regional Infrastructure Lease.

VicTrack continued its support of Landcare Australia's 'Grassroots' Program, which is designed to increase the awareness, protection and growth of native grasses through the provision of grants for specific projects.

Developing Our People



Carmel Parker, Human Resources Adviser,
taking a training course.

In addition to identifying the workforce needs, management and development of 164 diverse staff members – from signaling engineers to environmental scientists – VicTrack's Human Resources Group supports the organisation's commitment to quality and sustainability.

VicTrack continues to develop the skills of its people to meet the needs of a dynamic environment by putting safety first, improving systems, introducing performance management and responding to employee feedback.

Highlights 2007–08

Staff Development

Several staff development initiatives were implemented during the year. As well as undertaking the annual staff survey, which highlighted continuing improvement in employee satisfaction, staff training requirements were captured. This identified group training needs as well as individual critical skills. The work resulted in the majority of training needs being delivered within preferred timelines.

The HR Group developed and introduced the Employee Manager Online (EMO) kiosk system, which enables staff to electronically access their own pay details, print their own pay slips, update details and manage their own leave.

In addition, the Group released an individual performance management system – a tool that embeds individual KPIs within work plans, which are then linked to business plans.

Health and Safety

VicTrack's Health and Safety Management System was revised in line with Australian Standard AS 4801.



Karl Coelho, Server Engineer, testing software.

Looking Forward

As part of positioning VicTrack as an employer of choice, the HR Group is planning to introduce a formal staff wellness program, including health and wellbeing events and Health and Safety Programs.

An Employee Assistance Program will also be introduced to provide staff with access to limited personal counseling including trauma counseling.

The Union Collective Agreement (UCA), which is due to expire in June 2009, will be renegotiated.

Improving Corporate Performance



Allister Schorg, Project Officer,
Property Group.

Financial Management

Over the past year VicTrack has focused on providing better and more timely financial and management reporting information to facilitate decision-making and to contribute to the organisation's reporting capability. Further improvements will be made over the coming years.

The following system improvements are in progress:

- **Financial Management System** – VicTrack's financial management system will be upgraded, providing improved functionality and desktop management accounting for business unit managers and reducing manual work. Enhancements include:
 - online budgeting and forecasting module and reporting and analysis module
 - e-purchasing module for purchase orders
 - scanning of accounts payable and their tracking through the approval process.
- **Billing system improvements/credit collection** – Recent improvements in billing system processes, combined with the introduction of a debt collection module, will provide better ability to collect debt and record activities undertaken in the debt collection process for each customer.

Knowledge Management

A Knowledge Management and Technology Steering Committee involving senior representatives from the Business Groups has been established to oversee knowledge management and information technology across the organisation.

Progress toward achieving Information and Records Management compliance in accordance with the Public Records Office Victoria (PROV) Standards, the *Public Records Act 1973* and the Australian Standard AS:ISO-15489 – Records Management through the provision of a range of tools, technologies and adaptive work practices is underway and will continue over the coming years. These initiatives will be supported by the development of an enterprise-wide Knowledge Management Strategy.



Peter Bakker, Design Engineer,
programming VicTrack's fibre optic network.

Information Technology

Over the past year the Information Technology department (IT) has focused on providing a robust and secure infrastructure to aid in the integrity of VicTrack's information.

In particular, consolidation and better utilisation of VicTrack's servers that support the organisation's applications have reduced their carbon foot print by more than 50 percent. The consolidation will also allow quicker introduction of new applications.

Looking forward, progress towards high levels of system availability will be achieved through provision of an automated monitoring and alerting system. Customer service improvements will continue with the implementation of service desk software and the ongoing introduction of standards-based IT service management processes.

Also, development of an enterprise-wide application architecture strategy will enable easier access to VicTrack's information systems.





Statutory and Financial Reporting

Corporate Governance

VicTrack is a statutory corporation established under the *Rail Corporations Act 1996* and a State Business Corporation under the *State Owned Enterprises Act 1992*, with an independent Board reporting to its sole shareholder, the Victorian Government.

VicTrack is committed to high standards of corporate governance, which is in the best interests of VicTrack, the Victorian Government, the Victorian public and other stakeholders. VicTrack has in place corporate governance policies and structures in line with applicable statutory requirements and relevant best practice recommendations.

Board Role and Responsibilities

The role and responsibilities of the Board are set out in a formal Board Charter and include:

- selecting and appointing the Chief Executive with approval from the Minister for Public Transport
- reviewing and evaluating the performance of the Chief Executive and senior management
- preparing a three-year Corporate Plan for the approval of the Minister for Public Transport and the Treasurer
- considering management's recommendations on major investments and strategies to achieve VicTrack's objective of creating and adding value to assets under its control
- ensuring appropriate controls, systems and procedures are in place to manage business risks and ensure compliance with legislative and government requirements, including occupational health and safety, environmental, rail safety and telecommunications regulatory requirements
- reviewing and adopting annual financial budgets and assessing and monitoring results on a regular basis
- approving annual financial statements.

Each subsidiary company within the Rolling Stock Holdings group of companies also has its own Board of Directors. Each Board is responsible for the management of the relevant company. The Board of each company consists of all of the VicTrack Directors, plus Bob McDonald, VicTrack's Chief Executive.

Board Meetings

VicTrack holds Board meetings, generally, on a monthly basis. Some Board meetings are held in regional areas to enable the Board to engage with stakeholders in different parts of the state.

Board Performance

In accordance with the Board Charter, each year the Board conducts a review to evaluate its performance and identify areas for improvement.

Declaration of Pecuniary Interests

All Directors and nominated officers complete a declaration of pecuniary interests each year. Declarations by Directors are provided to the Chair while the declarations of the Chair and the Chief Executive are provided to the Secretary of the Department of Transport.

Independent Professional Advice

Directors are entitled to obtain independent professional advice at VicTrack's expense in relation to matters pertaining to their role as Director, provided prior notification is given to the Chair.

Delegation to Management

Day-to-day management of VicTrack is delegated to the Chief Executive and other senior managers pursuant to a formal empowerment policy.

Board Committees

Two standing committees have been established to assist the Board in relation to specific functions. These are the Audit and Risk Management Committee and the Human Resources Committee (formerly the Remuneration Committee).

Each Committee has a formal charter setting out its roles and responsibilities. The charters are reviewed annually to ensure that they are appropriate to the effective functioning of the Committees and consistent with evolving principles of good corporate governance.

Audit and Risk Management Committee

The Audit and Risk Management Committee is chaired by Chris Lovell and comprises all VicTrack Directors, together with an additional independent member, Sam Andersen. The Committee is responsible for assisting the Board in relation to VicTrack's accounting and reporting responsibilities and identification and management of risk, including reporting of financial information, internal control systems, the internal audit program and the application and amendment of accounting policies.

The Committee Charter requires that all members are financially literate and that at least one member has appropriate expertise in financial accounting or auditing.



Works at Gisborne Parkway nearing completion.

The Committee meets on a quarterly basis, with additional meetings held as required. Committee meetings are attended by both internal and external auditors as required.

The Chief Executive and General Manager Business Services attend Committee meetings other than when, consistent with best practice, the Committee meets with the auditors in the absence of management.

Human Resources Committee

The Human Resources Committee is chaired by Bruce Cohen and comprises all VicTrack Directors. It is responsible for reviewing and making recommendations to the Board in relation to remuneration and incentive arrangements for the Chief Executive and other executive officers, and for reviewing and monitoring VicTrack's remuneration policies and procedures. This includes ensuring compliance with government policies and guidelines.

The Board is also advised by the Heritage Advisory Panel on the strategic management of assets owned by VicTrack and listed on the Victorian Heritage Register. The Panel is chaired by John Anderson, VicTrack's Deputy Chair, and includes representatives of Heritage Victoria, a heritage architect and another VicTrack Director, Bruce Cohen. The Panel meets quarterly, or as otherwise required.

Board and Committee Meetings

Attendance at Board and Committee meetings is set out in the following table:

		Board		Audit and Risk Management Committee		Human Resources Committee	
	Member	A	B	A	B	A	B
	Elana Rubin	11	11	5	4	6	5
	John Anderson	11	10	5	5	6	5
	James Cain*	3	3	1	1	2	2
	Bruce Cohen	11	9	5	5	6	5
	Chris Lovell	11	11	5	5	6	6
	Sam Andersen**	—	—	5	5	—	—

A = number of meetings held during the time the member held office
B = number of meetings attended

* James Cain was appointed to the VicTrack Board on 1 April 2008.

** Sam Andersen is a member of the Audit and Risk Management Committee only.

Corporate Plan

As at the end of the reporting period, VicTrack was required, under the Rail Corporations Act and the State Owned Enterprises Act, to prepare a Corporate Plan for Ministerial approval. The purpose of the plan was to establish the framework for business strategies and performance monitoring and it was required to be agreed between the Board and the Minister for Public Transport. The Corporate Plan is prepared annually and covers a three-year period starting from the current financial year.

Ministerial Directions

During the reporting period, one direction was given to the VicTrack Board by the Minister for Finance and the Minister for Public Transport. The direction required the VicTrack Board to enter into an agreement to amend the Interstate Infrastructure Head Lease between VicTrack and the Director of Public Transport and to execute a number of ancillary documents.

Enterprise Risk Management

VicTrack's activities necessarily involve the assumption of risk. However, the Board and management are committed to identifying and appropriately managing risk and the Committee structure with a specialist Audit and Risk Management Committee is an important part of risk management at VicTrack.

In addition, VicTrack maintains a comprehensive Risk Management Plan and regularly reviews its risk records that record each identified risk and the controls in place to manage that risk. The Plan and risk records mean that risk management is recognised to be an integral part of each manager's day-to-day activity.

Risk Management Attestation

Standing direction 4.5.5 of the Financial Management Act 1994 requires public sector agencies to provide an annual attestation of compliance against the risk management process requirements as set out in the Victorian Government Risk Management Framework.

With the assurance provided by the VicTrack Executive, Chief Executive and the Audit and Risk Management Committee, I certify that Victorian Rail Track:

- has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard: AS/NZ 4360
- has an internal control system in place that enables the Executive to understand and appropriately manage risk exposures
- has critically reviewed the risk profile of the organisation during the period 1 July 2007 to 30 June 2008.

The Board verifies this assurance.



Elana Rubin
Chair
Victorian Rail Track (VicTrack)

21 August 2008



Statutory Information

Statutory Framework

VicTrack is a statutory corporation established under the *Rail Corporations Act 1996*. With effect from 24 July 2007, VicTrack was declared a Government Business Corporation under the *State Owned Enterprises Act 1992*.

Accordingly, VicTrack comes within the governance framework applicable to most other Victorian government business enterprises, with a direct reporting line to the Minister for Public Transport as well as to the Treasurer.

Engagement of Consultants

During 2007–08, VicTrack commissioned 49 consultancies individually valued at less than \$100,000, at a total cost of \$936,023. No consultancies were commissioned with a value in excess of \$100,000. The majority of the consultancies supported the development of 24 property development projects and the rollout of VicTrack's strategic planning process. All involved the provision of specialist advice and services not available inhouse.

Compliance with the *Building Act 1993*

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

Freedom of Information

VicTrack received five Freedom of Information (FOI) requests during the 2007–08 financial year.

Under the *Freedom of Information Act 1982*, only requests made in writing, clearly defining the required documents and accompanied by a lodgement fee of \$22.70 are considered valid.

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

Availability of Information

In accordance with the requirements of the Ministerial Directions of the Minister for Finance, details in respect to the additional items listed in Financial Reporting Direction 22 have been prepared and are fully available to relevant Ministers, Members of Parliament and the public on request.

The available information includes:

- declarations of pecuniary interests duly completed by the relevant officers
- details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit
- details of assessments and measures taken to improve the occupational health and safety of employees
- general statement on industrial relations within the organisation and details of time lost through industrial accidents or disputes.

National Competition Policy

The infrastructure leases with the Director of Public Transport provide for open access to Victoria's rail infrastructure. The Director sub-leases to V/Line Passenger, the Australian Rail Track Corporation and suburban train and tram franchisees to facilitate the state's open access regime, fostering competition among intrastate and interstate transport companies.

VicTrack also manages various rail terminals. Critical rail facilities fall within the Victorian Rail Access Regime and others compete on a commercial basis.

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

Implementation of the Victorian Industry Participation Policy

In October 2003, the Victorian Parliament passed the *Victorian Industry Participation Policy Act 2003* which requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy (VIPPP). Departments and public bodies are required to apply VIPPP to all tenders that are more than \$3 million in suburban Melbourne and \$1 million in regional Victoria.

VicTrack's standard tendering procedures include compliance with the VIPPP.



South Yarra Station.

Whistleblowers Protection Act 2001

The main purposes of the *Whistleblowers Protection Act 2001* are:

- To encourage and facilitate disclosures of improper conduct by public officers and public bodies
- To provide protection for:
 - persons who make those disclosures
 - persons who may suffer reprisals in relation to those disclosures
- To provide for the matters disclosed to be properly investigated and dealt with.

VicTrack has procedures for managing any such disclosure about the organisation or any of its officers. These procedures provide for appropriate receipt, assessment and investigation of disclosures and action taken after investigation. They also provide for managing the welfare of the whistleblower and the person against whom a disclosure has been made.

Since the Act commenced on 1 January 2002, there have been no disclosures relating to VicTrack.

Financial Performance

For financial reporting purposes VicTrack is required to consolidate into its results the entities it controls. VicTrack controls the Rolling Stock Holdings group of entities which own the state public transport rolling stock infrastructure.

VicTrack

The financial performance for the parent entity VicTrack was strong for the 2007–2008 financial year, recording an operating profit before tax and depreciation of \$107.7 million, and a net cash inflow from operating activities of \$42.5 million.

The depreciation charge for the parent entity VicTrack reflects usage of major infrastructure assets for public transport purposes. While the depreciation charge at times results in an accounting loss, it does not impact on VicTrack's ability to produce a positive cash flow from operating activities.

The following table reflects VicTrack's financial performance over the last five years:

Financial Summary VicTrack	2008	2007	2006	2005	2004
	\$m				
Total Revenue	167.9	246.3	171.2	119.4	211.3
Total Operating Expenditure	(60.1)	(55.8)	(42.0)	(45.0)	(36.8)
Net Profit/(Loss) before Income Tax & Depreciation	107.8	190.4	129.2	74.4	174.5
Depreciation Charge	(129.4)	(118.3)	(100.7)	(85.5)	(74.7)
Net Cash Inflow from Operating Activities	42.5	148.3	56.3	17.4	27.1
Total Assets	6,367.4	5,708.7	5,342.0	5,053.9	4,709.0
Total Liabilities	(252.9)	(250.3)	(217.0)	(209.7)	(72.0)
Net Assets	6,114.5	5,458.4	5,125.0	4,844.2	4,637.0
Total Staff	164	145	123	108	103

Note: The 2006–2007 results included transactions relating to the Victorian Government buying back the country rail infrastructure lease from Pacific National. This had a significant impact on these figures when compared with other years.

The increase in net assets over the period reflects the government's investment in state public transport and support service assets.

Consolidated Entity

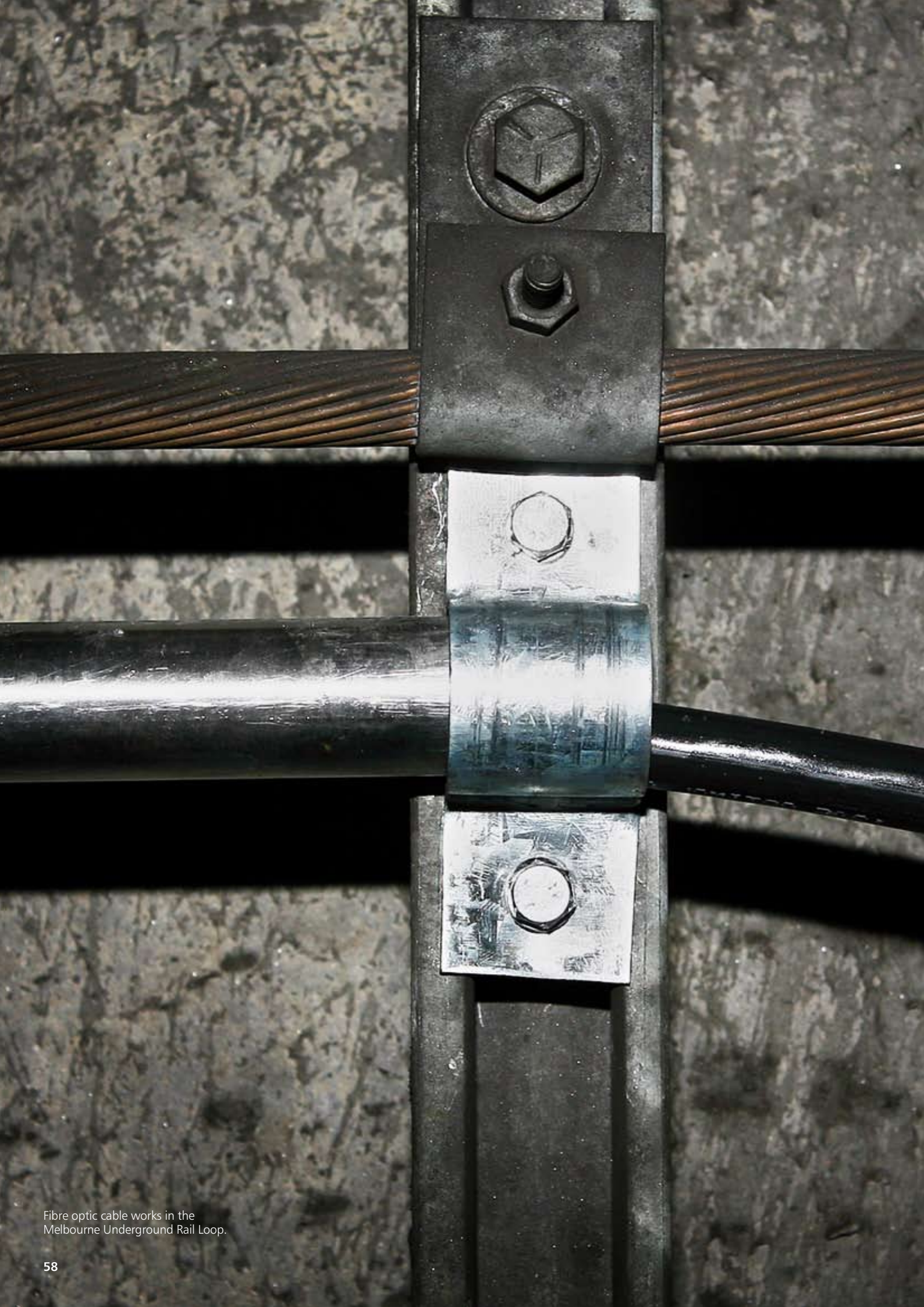
Rolling Stock Holdings, an entity controlled by VicTrack, is the owner of the state's rolling stock infrastructure assets. These assets are leased to the Director of Public Transport for nominal consideration and subsequently sub-leased to rail operators and access providers. While these transactions would normally result in an accounting loss being reported, the leasing arrangements do not impact on the Consolidated Entity's ability to produce a positive cash inflow from operating activities.

The following table reflects the Consolidated Entity's financial performance over the last five years:



Financial Summary Consolidated Entity	2008	2007	2006	2005	2004
	\$m				
Total Revenue	333.1	410.8	320.6	257.6	669.2
Total Operating Expenditure	(157.5)	(157.4)	(144.7)	(139.7)	(104.4)
Net Profit/(Loss) before Income Tax & Depreciation	175.6	253.4	175.9	117.9	564.8
Depreciation Charge	(216.4)	(202.1)	(179.2)	(155.0)	(90.0)
Net Cash Inflow from Operating Activities	181.9	174.6	49.9	5.6	24.1
Total Assets	7,811.7	7,169.6	6,834.0	6,583.4	5,855.5
Total Liabilities	(1,339.4)	(1,415.0)	(1,443.2)	(1,467.7)	(922.3)
Net Assets	6,472.3	5,754.6	5,390.8	5,115.7	4,933.2
Total Staff	164	145	123	108	103

The increase in net assets for the Consolidated Entity reflects the government investment in new rolling stock for the public transport system.



Fibre optic cable works in the Melbourne Underground Rail Loop.



Victorian Rail Track FINANCIAL REPORT

For the Year ended 30 June 2008

Contents

Independent Auditor's Report	60
Statutory Statement	62
Operating Statement	63
Balance Sheet	64
Statement of Changes in Equity	65
Cash Flow Statement	66
Notes to and forming part of the 2008 Financial Statements	67
Disclosure Index	99

Independent Auditor's Report



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

Victorian Rail Track

To the Board Members, Victorian Rail Track

The Financial Report

The accompanying financial report for the year ended 30 June 2008 of Victorian Rail Track which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the statutory statement has been audited. The financial report includes the consolidated financial statements of the economic entity, comprising the Victorian Rail Track and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 1 (a) to the financial statements.

The Board Members' Responsibility for the Financial Report

The Board Members of Victorian Rail Track are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the entity's preparation and fair presentation of the financial report 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 Victorian Rail Track and the consolidated entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest



Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of Victorian Rail Track for the year ended 30 June 2008. The Board Members of Victorian Rail Track are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Victorian Rail Track web site.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Victorian Rail Track and the economic entity as at 30 June 2008 and their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
9 September 2008



D D R Pearson
Auditor-General

Statutory Statement

We certify that the attached financial report for Victorian Rail Track has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2008 and the financial position of Victorian Rail Track as at 30 June 2008.

We are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors:



Elana Rubin
Chair

Dated 8 September 2008



Bob McDonald
FCPA
Chief Executive

Dated 8 September 2008



Cynthia Lahiff
CPA
General Manager, Business Services

Dated 8 September 2008

Operating Statement

For the financial year ended 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities:					
Customers					
Telecommunications services		26,583	21,346	26,583	21,346
Property related income		28,842	29,680	28,842	29,680
Leasehold improvements/renewals received		57,121	71,050	57,121	71,050
Government contributions towards capital and related works		169,457	237,019	35,455	101,894
Other revenue	2	49,121	51,707	19,897	22,288
		331,124	410,802	167,898	246,258
Capital assets charge		893,777	842,338	893,777	842,338
Total revenue		1,224,901	1,253,140	1,061,675	1,088,596
Expenses from ordinary activities:					
Employee benefits	3	16,209	12,691	16,209	12,691
Depreciation and amortisation	4	216,420	202,097	129,363	118,256
Interest expense		97,279	101,486	–	–
Capital assets charge		893,777	842,338	893,777	842,338
Supplies and services	5	35,738	27,063	35,738	27,063
Assets/liabilities provided free of charge		–	(8,674)	–	(8,674)
Other operating expenses	6	8,248	24,795	8,185	24,746
Total expenses		1,267,671	1,201,796	1,083,272	1,016,420
Profit/(loss) from ordinary activities before income tax expense		(42,770)	51,344	(21,597)	72,176
Tax equivalent (expense)/benefit		13,368	(18,601)	7,014	(24,842)
Net profit for the reporting period		(29,402)	32,743	(14,583)	47,334

The Operating Statement should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash assets		7,020	3,575	5,690	2,361
Other financial assets	7	24,250	44,150	24,250	44,150
Receivables	8(a)	27,094	13,188	153,824	10,248
Inventory	9	25	25	25	25
Prepayments		1,915	2,572	1,915	2,572
Total current assets		60,304	63,510	185,704	59,356
Non-current Assets					
Other financial assets	7	100	100	–	–
Receivables	8(a)	50	48	50	129,161
Property, infrastructure, plant and equipment	10	7,687,822	7,042,539	6,181,665	5,520,198
Intangible assets		63,417	63,417	–	–
Total non-current assets		7,751,389	7,106,104	6,181,715	5,649,359
Total assets		7,811,693	7,169,614	6,367,419	5,708,715
Current Liabilities					
Payables	8(b)	27,884	24,623	26,630	17,212
Employee benefits	11	5,355	1,605	5,355	1,605
Interest bearing liabilities	12	77,876	73,584	577	455
Total current liabilities		111,115	99,812	32,562	19,272
Non-current Liabilities					
Employee benefits	11	1,216	4,910	1,216	4,910
Interest bearing liabilities	12	1,045,194	1,115,082	235	222
Deferred tax liability	15	181,866	195,235	218,901	225,915
Total non-current liabilities		1,228,276	1,315,227	220,352	231,047
Total liabilities		1,339,391	1,415,039	252,914	250,319
Net assets		6,472,302	5,754,575	6,114,505	5,458,396
Equity					
Contributed equity	13(a)	5,026,990	4,658,211	4,880,344	4,588,002
Reserves	13(b)	1,007,317	628,967	1,007,317	628,967
Retained profits	13(c)	437,995	467,397	226,844	241,427
Total equity		6,472,302	5,754,575	6,114,505	5,458,396

The Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the financial year ended 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	\$'000	\$'000	\$'000	\$'000
Total equity at beginning of financial year		5,754,575	5,390,754	5,458,396	5,125,004
Movement in contributed capital for the financial year	13(a)	368,779	331,078	292,342	286,058
Net contributed capital recognised directly in equity		368,779	331,078	292,342	286,058
Gain/(loss) on revaluation of assets	13(b)	378,350	–	378,350	–
Net income recognised directly in equity		378,350	–	378,350	–
Net profit/(loss) for the reporting period	13(c)	(29,402)	32,743	(14,583)	47,334
Net recognised income and expense for the period		(29,402)	32,743	(14,583)	47,334
Transactions with the state in its capacity as owner		717,727	363,821	656,109	333,392
Total equity at end of financial year		6,472,302	5,754,575	6,114,505	5,458,396

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the financial year ended 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		231,170	233,824	67,943	60,175
Interest received		3,019	3,369	2,936	3,232
Receipts from Victorian Government for:					
Capital assets charge (*)		893,777	842,338	893,777	842,338
Capital and related works (inclusive of GST)		108,849	162,486	32,413	133,894
		1,236,815	1,242,017	997,069	1,039,639
Payments to:					
Suppliers (inclusive of GST) and employees		(60,822)	(207,579)	(60,751)	(48,974)
Borrowing costs paid		(100,303)	(17,550)	–	–
Capital assets charge (*)		(893,777)	(842,338)	(893,777)	(842,338)
		(1,054,902)	(1,067,467)	(954,528)	(891,312)
Net cash inflow from operating activities	14	181,913	174,550	42,541	148,327
Cash flows from investing activities					
Proceeds/(payments) for:					
Investments		19,900	10,366	19,900	(2,546)
Acquisition of property, plant and equipment		(139,190)	(207,295)	(62,755)	(156,730)
Sale of property, plant and equipment		3,643	10,007	3,643	10,007
Net cash (outflow) from investing activities		(115,647)	(186,922)	(39,212)	(149,269)
Cash flows from financing activities					
Proceeds/(payments) for:					
Borrowings		(62,821)	9,137	–	–
Net cash inflow/(outflow) from financing activities		(62,821)	9,137	–	–
Net increase/(decrease) in cash held		3,445	(3,235)	3,329	(942)
Cash at the beginning of the financial year		3,575	6,810	2,361	3,303
Cash at the end of the financial year		7,020	3,575	5,690	2,361

(*) The receipt and payment of the capital assets charge does not represent physical movements of cash between Victorian Rail Track and the Victorian Government. In accordance with the provisions of the *Financial Management Act 1994*, the capital assets charge is considered a cash equivalent item and is therefore included in the Cash Flow Statement.

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to and forming part of the 2008 Financial Statements

Note 1 Summary of Significant Accounting Policies

This general-purpose financial report has been prepared on an accruals basis in accordance with the *Financial Management Act 1994*, Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS).

The financial report is prepared in accordance with the historical cost convention, except for certain assets allocated to Victorian Rail Track which were valued by the previous owner at valuations other than historical cost and land which is recorded at independent valuation. The accounting policies adopted, and the classification and presentation of items are consistent with those of the previous year, except where a change is required to comply with an Australian Accounting Standard or Urgent Issues Group Consensus View, or an alternative accounting policy or an alternative presentation or classification of an item, as permitted by an Australian Accounting Standard, is adopted to improve the relevance and reliability of the financial report. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year. Victorian Rail Track and its subsidiary companies provide certain services free of charge or at prices significantly below their cost of production for the collective consumption by the community, which is incompatible with generating profit as a principal objective. Consequently, where appropriate, those paragraphs in Australian Accounting Standards relating to not-for-profit entities are applied.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2008 and the comparative information presented in the financial statements for the year ended 30 June 2007. Victorian Rail Track has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information and the impact of the changes in these accounting policies are discussed further in Note 1y.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Victorian Rail Track (Parent Entity) as at 30 June 2008 and the results of all controlled entities for the year then ended. Victorian Rail Track and its controlled entities together are referred to in this financial report as the Consolidated Entity. The effects of all transactions between entities within the Consolidated Entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Operating Statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

The following entities are controlled by the Parent Entity as at 30 June 2008:

Rolling Stock Holdings (Victoria) Pty Limited

Rolling Stock (Victoria-VL) Pty Limited

Rolling Stock (VL-1) Pty Limited

Rolling Stock (VL-2) Pty Limited

Rolling Stock (VL-3) Pty Limited

The above-mentioned companies have been established to own various items of rolling stock (passenger trains and trams) that are leased to public transport operators.

Notes to and forming part of the 2008 financial statements

Note 1 Summary of Significant Accounting Policies continued

b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include A-IFRS. Compliance with A-IFRS ensures that the financial report, comprising the financial statements, and notes thereto, complies with International Financial Reporting Standards (IFRS). The financial report of the Consolidated Entity for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 8 September 2008.

c) Contributed Capital

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.

The major movements of contributed capital (comprising property, rights and liabilities) from the inception of the Consolidated Entity have been as follows:

Financial Year		\$000's
1997-1998	Non-electrified rail infrastructure	772,981
1999-2000	Electrified rail infrastructure	2,560,180
2000-2001	Southern Cross Station (formerly Spencer Street Station) infrastructure to Southern Cross Station Authority (formerly Spencer Street Station Authority)	(80,528)
2001-2002	Leasehold improvements	62,068
2001-2002	Surrender of land (Birraring Marr) to the state	(64,800)
2002-2003	Leasehold improvements	150,347
2003-2004	Leasehold improvements	327,492
2004-2005	Leasehold improvements	320,414
2005-2006	Leasehold improvements	286,370
2006-2007	Leasehold improvements	338,469
2006-2007	Surrender of land (Appleton Dock) to the state	(7,391)
2007-2008	Leasehold improvements	352,679
2007-2008	Allocation of Middleborough Road level crossing from VicRoads	63,138
2007-2008	Surrender of infrastructure and land related to the ARTC lease	(47,038)

d) Acquisitions of Assets

All assets acquired, including property, infrastructure, plant and equipment (but excluding goodwill) are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

e) Revenue Recognition

Amounts disclosed as revenue are, where applicable, net of returns, allowances, duties and taxes. Revenue for telecommunications services, property related income, advertising and lease of the interstate rail corridors is recognised when services are provided by the Consolidated Entity. Government contributions towards capital and related costs are recognised when the Consolidated Entity gains control of the underlying assets. 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. Proceeds from asset sales are recognised at the time the asset is sold, while interest revenue is brought to account when earned. Rolling stock received free of charge is recognised at its fair value at the time of acquisition.

f) Borrowing Costs

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

In accordance with the Victorian Government's Department of Treasury and Finance's Financial Reporting Direction 105, all borrowing costs are expensed as incurred.

g) National Tax Equivalent Regime (NTER)

By direction of the Treasurer of Victoria under the *State Owned Enterprises Act 1992*, the Consolidated Entity is subject to the NTER in 2007–08, but limited to the income tax component of the NTER.

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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

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

- when the liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reassessed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each Balance Sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

h) Cash Assets

For the purposes 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.

i) Other Financial Assets

Other financial assets represent fixed term deposits held by the Consolidated Entity and investments with Treasury Corporation of Victoria and are valued at their fair value.

Fixed term deposits are subject to draw down restrictions and a fixed rate of return.

Investments with Treasury Corporation of Victoria are held on deposits ranging from 30 days to 90 days – these investments are ear-marked for use on future infrastructure improvement projects.

j) Receivables

All debtors are recognised at the amounts receivable as they are due for settlement at no more than 30 days from the date of recognition.

The collectability of debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

Notes to and forming part of the 2008 financial statements

Note 1 Summary of Significant Accounting Policies continued

k) Inventory

Items held in stores at the reporting date include spare parts and componentry generally used for the maintenance of rail infrastructure assets. Inventory is stated at the lower of cost and net realisable value.

The provision for stock obsolescence relates to inventory that has not moved for three years or more, excluding inventory specifically held for emergency situations.

l) Property, Infrastructure, Plant and Equipment

All rail infrastructure assets owned by the Consolidated Entity when it commenced operations were transferred from the previous owners, the Public Transport Corporation and the V/Line Freight Corporation, by way of statutory allocation under the *Rail Corporations Act 1996*, effective from 1 July 1997.

The Allocation Statement (as amended) included the carrying value for the rail infrastructure assets to be adopted by the Consolidated Entity.

There have been a number of subsequent Allocation Statements since the commencement of operations, having the effect of transferring ownership both to and from the Consolidated Entity. These Allocation Statements also included the carrying value of the rail infrastructure assets adopted by the Consolidated Entity at the time of transfer.

The initial Allocation Statement (and amendment) and subsequent Allocation Statements were ratified by the relevant Minister under Section 40 of the *Rail Corporations Act 1996* and, as such, the values ascribed to the rail infrastructure assets, apart from land, have been adopted by the Directors of the Consolidated Entity as the appropriate cost for reporting purposes.

At 30 June 2008, in accordance with the Victorian Government's Department of Treasury and Finance's Financial Reporting Direction 103B, apart from land, rail infrastructure assets are stated at either Allocation Statement valuation (if allocated to the Consolidated Entity) or at cost if the assets were constructed by the Consolidated Entity or lessees/sub-lessees. In the absence of a formal revaluation being undertaken of the Consolidated Entity's infrastructure assets the Allocation Statement valuations are deemed to be cost.

Plant and equipment, which includes rolling stock, is stated at cost.

Each class of assets which are subject to the revaluation model are required to be revalued every five years in accordance with Financial Reporting Direction 103B.

Revaluations are undertaken with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at the reporting date. Revaluations are conducted in accordance with the Victorian Government's policy – *Revaluation of Non-Current Physical Assets*.

Revaluation increments are credited directly to the asset revaluation reserve, except to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net result. Where this situation arises, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets. Where this situation arises, the revaluation decrement is debited to the asset revaluation reserve. Revaluation increments and decrements are offset against one another within classes of non-current assets.

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.

Non-current physical assets measured at fair value have been revalued in accordance with FRD 103C. This revaluation process has applied the Valuer General's land indices to the 2005 land values. The result of the movement in fair value of land has been determined to be material. The Consolidated Entity's land was revalued with effect from 30 June 2008. The result of this revaluation is disclosed in this financial report. The revaluation was conducted using management expertise and has been classified as a managerial revaluation.

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.

Rail corridor land is based on the assessed market value of the land (effectively the value of the land were it to be sold to adjoining land owners) with discounts being applied to reflect costs that would be incurred in selling the land (i.e. subdivisional, legal, etc).

LEASE OF INFRASTRUCTURE ASSETS

The Consolidated Entity leases the majority of its rail infrastructure assets to the Director of Public Transport (DPT) for the purposes of conducting passenger and freight train and tram operations. The DPT then sub-leases the assets to various transport operators and track access providers. Under the leases, responsibility for conducting transport operations and maintaining the infrastructure assets is effectively transferred to the lessees/sub-lessees. The Consolidated Entity reserves the exclusive right to engage in non-transport activities on its assets and specifically excludes trunk telecommunications infrastructure from the leases.

The following table sets out details of the infrastructure leases with the DPT:

Description of Leased Assets	Lessee	Asset Value	Start Date	Term	Rental
Suburban train and tram infrastructure(*)	DPT	\$3,354 M	18 April 2004	4.5 years	Nil
Country non-electrified intrastate infrastructure (excluding certain stations)	DPT	\$1,905 M	1 May 1999	15 years, plus two 15 year options	Nil
Country stations (**)	DPT	Included above	1 Oct 2003	16 years	Nil
Non-electrified interstate infrastructure (***)	DPT	\$197 M	1 Jul 1999	51 years	Nil

(*) In accordance with franchising arrangements that came into effect in April 2004, the initial lease of the suburban train and tram infrastructure, which commenced in August 1999 for a period of 15 years, was terminated.

(**) The original country station lease, that commenced in August 1999 for a period of 20 years, has been terminated.

(***) An extension of the interstate lease via DPT to the Australian Rail Track Corporation Ltd (ARTC) with nil payments.

m) Capital Works in Progress

LEASEHOLD IMPROVEMENTS

Infrastructure improvements undertaken by lessees/sub-lessees have been recorded as assets of the Consolidated Entity in accordance with a direction from the Victorian Government's Department of Treasury and Finance. Infrastructure improvements undertaken by the ARTC have also been recognised as assets of the Consolidated Entity. These leasehold improvements have been recognised at cost. Significant leasehold improvements recognised as assets during the year include costs incurred on the regional fast rail and Craigieburn train extension projects as well as various other track upgrading works undertaken on the metropolitan train and tram networks.

ROLLING STOCK

The Consolidated Entity has entered into contracts for the supply and manufacture of new passenger trains. As at 30 June 2008, \$88.5 million is recorded as works in progress for these assets.

The Consolidated Entity owns the majority of the existing suburban rolling stock fleet (trains and trams) that were transferred as assets received free of charge in April 2004 at a fair value of \$448.2 million. This value was adopted as the deemed cost of the assets. The fair value was determined on the basis of depreciated replacement cost.

The Consolidated Entity also recognises other suburban rolling stock that is the subject of a number of finance leases, which have a carrying value of \$782.3 million as at 30 June 2008.

The Consolidated Entity's works in progress includes rail infrastructure and rolling stock projects underway, but not yet complete or ready for service. The incomplete rail infrastructure projects are recorded at cost. The recorded value of rolling stock works in progress includes payments made to the manufacturer. Borrowing costs incurred to finance the construction of new rolling stock are expensed as they are incurred.

Notes to and forming part of the 2008 financial statements

Note 1 Summary of Significant Accounting Policies continued

n) Intangible Assets (Goodwill)

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is required to be tested for impairment on an annual basis, and its value written down to the extent that impairment exists. Goodwill acquired on the acquisition of the Pacific National business was recognised as impaired at 30 June 2007 and written down to zero. As at 30 June 2008, there was no impairment of the goodwill relating to the purchase of Rolling Stock Holdings (Victoria) Pty Ltd.

o) Depreciation

All non-current assets, including leasehold improvements and renewals but excluding land, have been depreciated using the straight-line method of depreciation over their estimated useful lives to the Consolidated Entity. The range of depreciation rates used for each class of asset is as follows:

	%
Buildings and structures	1.7–5.0
Track	2.0–5.0
Signals and communications	2.0–7.7
Plant and equipment	2.0–33.0
Rolling stock	3.3–50.0

The above rates are the same as those applied in the 2006–07 financial year.

p) Leased Assets

OPERATING LEASES

The Consolidated Entity leases certain office equipment, such as photocopiers, under operating leases. Operating lease payments are expensed in the period incurred.

FINANCE LEASES

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, so as to reflect the risks and benefits incidental to ownership.

Leases of fixed assets where substantially all of the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Consolidated Entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight-line basis over their estimated useful lives, where it is likely that the Consolidated Entity will obtain ownership of the asset, or over the term of the lease.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. While the Consolidated Entity has recognised finance leases relating to the introduction of new rolling stock within its financial statements, the risks associated with these leases remains with the Department of Transport.

q) Payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

r) Employee Benefits

(I) WAGES, SALARIES AND ANNUAL LEAVE

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured as the amounts expected to be paid when the liabilities are settled. The liability for annual leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(II) LONG SERVICE LEAVE

The requirement for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on Commonwealth Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Provisions made for unconditional long service leave are classified as a current liability, where the employee has a present entitlement to the benefit. The non-current liability represents long service leave entitlements accrued for employees with less than seven years of continuous service.

(III) SUPERANNUATION

The amount charged to the Operating Statement in respect of superannuation represents the employers' contributions made by the Consolidated Entity to superannuation funds of which employees are members. Further details are provided in Note 16.

(IV) EMPLOYEE BENEFIT ON-COSTS

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

s) Interest Bearing Liabilities

Secured loans are carried on the Balance Sheet at their fair value at the time the loan was taken out or acquired, net of fair value unwinds. Interest is accrued over the period it becomes due and is recorded as part of Payables at year end.

All borrowing costs are expensed as incurred.

The finance lease liability is determined in accordance with the requirements of AASB 117 "Leases".

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.

t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Balance Sheet. The GST component of a receipt or payment is recognised on a gross basis in the Cash Flow Statement in accordance with Australian Accounting Standard AASB 107 "Cash Flow Statements".

u) Dividends

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

No determination was received from the Treasurer requiring the Consolidated Entity to make a dividend payment in respect to the 2007–08 or 2006–07 financial years.

Notes to and forming part of the 2008 financial statements

Note 1 Summary of Significant Accounting Policies continued

v) 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.

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 receipt and an expense from ordinary activities in the Operating Statement, meaning that there is no impact on the operating result for the year, nor on the Balance Sheet as at 30 June 2008.

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

The charge equates to approximately 15% on the Parent Entity's average net assets for the 2007–08 financial year.

w) Comparatives

Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

x) Rounding

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

y) Financial Instruments

The Consolidated Entity has adopted AASB 7 "*Financial Instruments: Disclosures*" and all amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial entity.

The accounting policies applied to accounting for financial instruments in the current financial year are detailed in Notes 1i, 1j, 1q, 1s and 22.

OTHER FINANCIAL ASSETS

Other financial assets represent fixed term deposits held by the Consolidated Entity and investments with Treasury Corporation of Victoria and are valued at their fair value.

Fixed term deposits are subject to draw down restrictions and a fixed rate of return.

Investments with Treasury Corporation of Victoria are held on deposits ranging from 30 days to 90 days – these investments are ear-marked for use on future infrastructure improvement projects.

RECEIVABLES

All debtors are recognised at the amounts receivable as they are due for settlement at no more than 30 days from the date of recognition.

The collectability of debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

PAYABLES

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

INTEREST BEARING LIABILITIES

Secured loans are carried on the Balance Sheet at their fair value at the time the loan was taken out or acquired, net of fair value unwinds. Interest is accrued over the period it becomes due and is recorded as part of Payables at year end.

All borrowing costs are expensed as incurred.

The finance lease liability is determined in accordance with the requirements of AASB 117 "Leases".

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.

Effect of changing the accounting policies for financial instruments

There are no changes to the Consolidated Entity's balance sheet arising from the adoption of the accounting policies for financial instruments.

z) Impairment of Assets

The Consolidated Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs.

There are no indicators of impairment of assets at the current reporting date.

aa) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal trading operations and the realisation of assets and settlement of liabilities in the ordinary course of business.

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.

Notes to and forming part of
the 2008 financial statements

Note 2 Other Revenue

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Interest received		2,950	3,237	2,950	3,237
Proceeds from sale of assets		3,643	10,007	3,643	10,007
Lease of the interstate rail corridors		3,173	3,050	3,173	3,050
Rolling stock lease revenue		29,224	29,062	–	–
Other		10,131	6,351	10,131	5,994
Total Other Revenue		49,121	51,707	19,897	22,288

Note 3 Employee Benefits

Salaries and wages	12,641	10,239	12,641	10,239
<i>Associated labour costs:</i>				
On-costs	1,442	1,209	1,442	1,209
Superannuation contributions	1,136	959	1,136	959
Sub-total associated labour costs	2,578	2,168	2,578	2,168
Increase in provision for employee entitlements	297	50	297	50
Termination payments	693	234	693	234
Total Employee Benefits	16,209	12,691	16,209	12,691

Note 4 Depreciation and Amortisation

Buildings and structures	25,643	25,062	25,643	25,062
Track	52,472	49,669	52,472	49,669
Signals and communications	41,539	37,054	41,539	37,054
Plant and equipment	96,766	90,312	9,709	6,471
Total Depreciation and Amortisation	216,420	202,097	129,363	118,256

Note 5 Supplies and Services

Property services (including land tax)	9,819	7,176	9,819	7,176
Telecommunications expenses	12,307	8,124	12,307	8,124
Contract payments	8,099	6,157	8,099	6,157
Other	5,513	5,606	5,513	5,606
Total Supplies and Services	35,738	27,063	35,738	27,063

Note 6 Other Operating Expenses

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Increase/(Decrease) in provision for doubtful debts		(76)	(4)	(76)	(4)
Bad debts		124	–	124	–
Insurance premiums		501	654	501	654
Legal fees		433	498	433	498
Occupancy costs		920	1,069	920	1,069
Written down value of assets sold and costs incurred in selling assets		2,552	8,735	2,552	8,735
Write off of impaired goodwill		–	10,943	–	10,943
Other expenses		3,794	2,900	3,731	2,851
Total Other Operating Expenses		8,248	24,795	8,185	24,746

Note 7 Other Financial Assets

Funds on deposit – at fair value	100	100	–	–
Investments – Treasury Corporation of Victoria	24,250	44,150	24,250	44,150
Other Financial Assets	24,350	44,250	24,250	44,150

Reported as

Current

Funds on deposit – at fair value	–	–	–	–
Investments – Treasury Corporation of Victoria	24,250	44,150	24,250	44,150
	24,250	44,150	24,250	44,150

Non-current

Funds on deposit – at fair value	100	100	–	–
Investments – Treasury Corporation of Victoria	–	–	–	–
	100	100	–	–
Total Other Financial Assets	24,350	44,250	24,250	44,150

Use of funds on deposit is restricted to payments of interest on borrowings and payments to suppliers in relation to the construction of new rollingstock (trains). The amount on deposit is subject to a fixed interest rate of 5.15% with quarterly payments of interest.

Funds currently held with Treasury Corporation of Victoria are ear-marked for use on future infrastructure improvement projects.

Notes to and forming part of
the 2008 financial statements

Note 8(a) Receivables

		Consolidated		Parent	
		2008	2007	2008	2007
	Note	\$'000	\$'000	\$'000	\$'000
Receivables		27,380	13,547	154,110	139,720
Less provision for doubtful debts		(236)	(311)	(236)	(311)
Receivables		27,144	13,236	153,874	139,409
<i>Reported as</i>					
Current					
Receivables		27,330	13,499	154,060	10,559
Less provision for doubtful debts		(236)	(311)	(236)	(311)
		27,094	13,188	153,824	10,248
Non-current					
Receivables		50	48	50	129,161
Less provision for doubtful debts		—	—	—	—
		50	48	50	129,161
Total Receivables		27,144	13,236	153,874	139,409

Note 8(b) Payables

Payables	27,884	24,623	26,630	17,212
Total Payables	27,884	24,623	26,630	17,212

Note 9 Inventory

Stores and materials	856	856	856	856
Less provision for stock obsolescence	(831)	(831)	(831)	(831)
Total Inventory	25	25	25	25

A provision for stock obsolescence is raised when stock has not moved for a period of three years or more, excluding stock held for emergency situations.

Note 10 Property, Infrastructure, Plant and Equipment

Purpose Group – Transportation and Communications	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Land					
Rail corridor land – at independent valuation – 30 June 2005		–	913,992	–	913,992
Rail corridor land – at indexed valuation – 30 June 2008		1,128,961	–	1,128,961	–
Non-rail corridor land – at cost		–	1,063	–	1,063
Non-rail corridor land – at independent valuation – 30 June 2005		–	792,529	–	792,529
Non-rail corridor land – at indexed valuation – 30 June 2008		945,312	–	945,312	–
Land		2,074,273	1,707,584	2,074,273	1,707,584
Buildings and structures					
Allocation statement valuation		799,448	799,448	799,448	799,448
Accumulated depreciation		(179,626)	(160,712)	(179,626)	(160,712)
		619,822	638,736	619,822	638,736
Leasehold improvements/renewals		155,677	139,795	155,677	139,795
Accumulated depreciation		(20,715)	(15,977)	(20,715)	(15,977)
		134,962	123,818	134,962	123,818
Cost		76,505	68,893	76,505	68,893
Accumulated depreciation		(8,003)	(6,013)	(8,003)	(6,013)
		68,502	62,880	68,502	62,880
Buildings and structures after depreciation		823,286	825,434	823,286	825,434
Track					
Allocation statement valuation		848,632	895,468	848,632	895,468
Accumulated depreciation		(201,659)	(191,756)	(201,659)	(191,756)
		646,973	703,712	646,973	703,712
Leasehold improvements/renewals		872,762	780,577	872,762	780,577
Accumulated depreciation		(94,179)	(70,073)	(94,179)	(70,073)
		778,583	710,504	778,583	710,504
Cost		180,732	180,212	180,732	180,212
Accumulated depreciation		(38,265)	(32,021)	(38,265)	(32,021)
		142,467	148,191	142,467	148,191
Track after depreciation		1,568,023	1,562,407	1,568,023	1,562,407

Notes to and forming part of the 2008 financial statements

Note 10 **Property, Infrastructure, Plant and Equipment** continued

Purpose Group – Transportation and Communications	Consolidated			Parent	
	2008	2007	2008	2007	
	Note	\$'000	\$'000	\$'000	\$'000
Signals and communications					
Allocation statement valuation		376,166	313,028	376,166	313,028
Accumulated depreciation		(108,892)	(96,891)	(108,892)	(96,891)
		267,274	216,137	267,274	216,137
Leasehold improvements/renewals		438,700	424,796	438,700	424,796
Accumulated depreciation		(65,021)	(43,897)	(65,021)	(43,897)
		373,679	380,899	373,679	380,899
Cost		151,163	145,210	151,163	145,210
Accumulated depreciation		(27,029)	(18,614)	(27,029)	(18,614)
		124,134	126,596	124,134	126,596
Signals and communications after depreciation		765,087	723,632	765,087	723,632
Plant and equipment					
Allocation statement valuation		840,417	801,692	–	–
Accumulated depreciation		(205,069)	(149,155)	–	–
		635,348	652,537	–	–
Leasehold improvements/renewals		4,469	4,469	4,469	4,469
Accumulated depreciation		(1,614)	(962)	(1,614)	(962)
		2,855	3,507	2,855	3,507
Finance leases at cost		907,715	907,715	–	–
Accumulated amortisation		(125,431)	(94,287)	–	–
		782,284	813,428	–	–
Cost		113,666	113,317	113,666	113,317
Accumulated depreciation		(38,146)	(29,237)	(38,146)	(29,237)
		75,520	84,080	75,520	84,080
Plant and equipment after depreciation		1,496,007	1,553,552	78,375	87,587
Capital works in progress					
Leasehold improvements/renewals		798,531	588,778	798,531	588,778
Rollingstock under construction		88,525	56,376	–	–
Other		74,090	24,776	74,090	24,776
Capital works in progress		961,146	669,930	872,621	613,554
Total Property, Infrastructure, Plant and Equipment		7,687,822	7,042,539	6,181,665	5,520,198

	Land	Buildings & Structures	Track	Signals & Comms.	Plant & Equipment	W.I.P.	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2008 Consolidated							
Carrying amount at the start of the Financial Year	1,707,584	825,434	1,562,407	723,632	1,553,552	669,930	7,042,539
Additions (*)	2,405	23,495	92,704	84,922	39,408	291,216	534,150
Disposals	(14,066)	–	(34,616)	(1,928)	(187)	–	(50,797)
Net revaluation increments/decrements	378,350	–	–	–	–	–	378,350
Depreciation expense	–	(25,643)	(52,472)	(41,539)	(96,766)	–	(216,420)
Carrying amount at the end of the Financial Year	2,074,273	823,286	1,568,023	765,087	1,496,007	961,146	7,687,822
2008 Parent							
Carrying amount at the start of the Financial Year	1,707,584	825,434	1,562,407	723,632	87,587	613,554	5,520,198
Additions (*)	2,405	23,495	92,704	84,922	684	259,067	463,277
Disposals	(14,066)	–	(34,616)	(1,928)	(187)	–	(50,797)
Net revaluation increments/decrements	378,350	–	–	–	–	–	378,350
Depreciation expense	–	(25,643)	(52,472)	(41,539)	(9,709)	–	(129,363)
Carrying amount at the end of the Financial Year	2,074,273	823,286	1,568,023	765,087	78,375	872,621	6,181,665

(*) Includes infrastructure improvements/renewals undertaken by lessees/sub-lessees.

Notes to and forming part of
the 2008 financial statements

Note 11 Employee Benefits

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Long service leave		3,891	3,893	3,891	3,893
Annual leave		2,054	2,257	2,054	2,257
Other		626	365	626	365
Employee Benefits		6,571	6,515	6,571	6,515
<i>Reported as</i>					
Current					
Long service leave*		3,750	318	3,750	318
Annual leave		1,048	990	1,048	990
Other		557	297	557	297
		5,355	1,605	5,355	1,605
Non-current					
Long service leave*		141	3,575	141	3,575
Annual leave		1,006	1,267	1,006	1,267
Other		69	68	69	68
		1,216	4,910	1,216	4,910
Total Employee Benefits		6,571	6,515	6,571	6,515

* The comparative current/non-current split of the 2007 long service leave employee benefit was calculated with reference to the expected timing of usage. Applying the 2008 basis of a current entitlement, \$3,866,000 of the 2007 long service leave would have been classified as current.

Note 12 Interest Bearing Liabilities

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Secured loan		388,854	407,930	—	—
Lease liability		734,216	780,736	812	677
Interest Bearing Liabilities		1,123,070	1,188,666	812	677
<i>Reported as</i>					
Current					
Secured loan		27,031	26,475	—	—
Lease liability		50,845	47,109	577	455
		77,876	73,584	577	455
Non-current					
Secured loan		361,823	381,455	—	—
Lease liability		683,371	733,627	235	222
		1,045,194	1,115,082	235	222
Total Interest Bearing Liabilities		1,123,070	1,188,666	812	677

Note 13 Equity and Movements in Equity – Consolidated Entity

	Capital 1 July 2007	Capital Returned	Additional Capital	Capital 30 June 2008
	\$'000	\$'000	\$'000	\$'000
(a) Contributed Capital				
Assets				
Inventory	205	–	–	205
Receivables	2,715	–	–	2,715
Land	1,067,067	(12,422)	–	1,054,645
Buildings and structures	858,697	–	8,364	867,061
Track	1,355,157	(34,616)	101,737	1,422,278
Signals and communications	642,634	–	3,987	646,621
Plant and equipment	118,603	–	–	118,603
Works in progress/other assets	620,092	–	301,729	921,821
Total assets	4,665,170	(47,038)	415,817	5,033,949
Liabilities				
Provision for employee benefits	(6,959)	–	–	(6,959)
Total liabilities	(6,959)	–	–	(6,959)
Contributed Capital at the end of the Financial Year	4,658,211	(47,038)	415,817	5,026,990

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(b) Asset Revaluation Reserve				
Asset revaluation reserve at the beginning of the financial year	628,967	628,967	628,967	628,967
Land revaluation	378,350	–	378,350	–
Asset Revaluation Reserve at the end of the Financial Year	1,007,317	628,967	1,007,317	628,967
(c) Accumulated Surplus				
Accumulated surplus at the beginning of the financial year	467,397	434,654	241,427	194,093
Net profit/(loss) for the reporting period	(29,402)	32,743	(14,583)	47,334
Accumulated Surplus at the end of the Financial Year	437,995	467,397	226,844	241,427

Notes to and forming part of the 2008 financial statements

Note 14 Reconciliation of Net Profit/(Loss) for the Reporting Period to Net Cash Inflow from Operating Activities

1. Reconciliation of cash assets

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.

2. Non-cash financing and investing facilities

The Consolidated Entity has no non-cash financing and investment facilities in place.

3. Credit facilities

The Parent Entity does not have any credit facilities in place.

4. Reconciliation of net profit/(loss) for the reporting period to net cash inflow from operating activities:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss) for the reporting period	(29,402)	32,743	(14,583)	47,334
Depreciation/amortisation	216,421	201,755	129,363	118,255
Increase/(decrease) in provisions	56	45	56	45
Decrease/(increase) in receivables	(14,465)	176	(14,465)	542
Decrease/(increase) in prepayments	657	(2,134)	657	(2,134)
Receipts recognised as contributed capital	76,436	58,689	–	30,098
Assets received under lease agreements	(57,121)	(71,050)	(57,121)	(71,050)
Fair value adjustments	(2,908)	(3,205)	–	–
Increase/(decrease) in payables	(5,947)	(41,134)	447	26,572
Loss/(profit) on sale of assets	(1,813)	(1,335)	(1,813)	(1,335)
Net Cash Inflow From Operating Activities	181,914	174,550	42,541	148,327

Note 15 National Tax Equivalent Regime

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current Income Tax				
Income Statement				
Current income tax (expense)/benefit	27,734	1,688	15,855	(9,445)
Deferred income tax	(14,366)	(20,289)	(8,841)	(15,397)
Income tax (expense)/benefit reported in income statement	13,368	(18,601)	7,014	(24,842)
Income Tax Reconciliation				
Accounting profit/(loss) before tax	(42,770)	51,344	(21,597)	72,176
At company tax rate of 30%	12,830	(15,403)	6,479	(21,653)
Non-allowable items	538	(3,198)	535	(3,189)
Income tax (expense)/benefit	13,368	(18,601)	7,014	(24,842)

Note 15 **National Tax Equivalent Regime continued**

	Balance Sheet		Income Statement	
	2008	2007	2008	2007
Deferred Income Tax	\$'000	\$'000	\$'000	\$'000
Consolidated				
<i>Deferred Tax Liabilities</i>				
Accelerated depreciation	(265,977)	(256,951)	(9,025)	(15,161)
Finance lease asset	(234,919)	(244,231)	9,312	9,349
Fair value on loan	(65)	(69)	4	5
Interest receivable	(10)	(7)	(4)	(2)
	(500,971)	(501,258)	287	(5,809)
<i>Deferred Tax Assets</i>				
Fair value on loan	4,766	5,642	(877)	(966)
Finance lease liability	220,266	234,221	(13,956)	(13,280)
Losses available for offset	90,716	62,980	–	–
Prepaid revenue	1,066	882	185	(248)
Accrued leave	1,971	1,955	17	15
Doubtful debts	71	94	(22)	(1)
Stock obsolescence	249	249	–	–
	319,105	306,023	(14,653)	(14,480)
Net deferred tax asset/(liability)	(181,866)	(195,235)		
Deferred tax expense			(14,366)	(20,289)
Company				
<i>Deferred Tax Liabilities</i>				
Accelerated depreciation	(265,977)	(256,951)	(9,025)	(15,161)
Finance lease asset	(233)	(202)	(32)	6
Interest receivable	(10)	(7)	(4)	(2)
	(266,220)	(257,160)	(9,061)	(15,157)
<i>Deferred Tax Assets</i>				
Finance lease liability	244	203	40	(7)
Losses available for offset	43,718	27,862	–	–
Prepaid revenue	1,066	882	185	(247)
Accrued leave	1,971	1,955	17	15
Doubtful debts	71	94	(22)	(1)
Stock obsolescence	249	249	–	–
	47,319	31,245	220	(240)
Net deferred tax asset/(liability)	(218,901)	(225,915)		
Deferred tax expense			(8,841)	(15,397)

Notes to and forming part of the 2008 financial statements

Note 16 Employee Superannuation Funds

No liability is recognised in the Balance Sheet for the Consolidated Entity's share of the state's unfunded superannuation liability. The state's unfunded superannuation liability has been reflected in the financial statements of the Victorian Government's Department of Treasury and Finance.

However, the Consolidated Entity's (i.e. employer) superannuation contributions for the reporting period are included as part of employee benefits in the Operating Statement. The number of employees as at 30 June 2008 was 164 (30 June 2007 – 145).

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

Superannuation Fund (*)	2007–08 Contributions	Contributions Outstanding as at 30/6/08	2006–07 Contributions	Contributions Outstanding as at 30/6/07
	\$'000	\$'000	\$'000	\$'000
Transport Superannuation Scheme	270	–	283	–
State Superannuation Scheme	278	–	303	–
VicSuper Scheme	405	–	255	–
Other	183	11	118	–
Total	1,136	11	959	–

* These superannuation contributions relate to Victorian Rail Track as the Parent Entity; Rolling Stock Holdings (Victoria) Pty Limited and its subsidiary companies, which forms the Consolidated Entity with the Parent Entity, do not employ any staff.

Employer contributions to the Transport Superannuation Scheme and the State Superannuation Scheme are based on actuarial assessments as advised by the Government Superannuation Office. Employer contributions to the other funds are made in accordance with the Commonwealth Superannuation Guarantee Legislation.

Note 17 Capital Commitments

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Within one year	101,185	30,024	15,262	15,852
One year or later and not later than five years	184,672	16,716	63	–
Total Capital Commitments	285,857	46,740	15,325	15,852

Note 18 Lease Commitments

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Operating Leases				
Within one year	70	66	70	66
One year or later and not later than five years	115	159	115	159
Total Operating Lease Commitments	185	225	185	225

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

Finance Leases

Within one year	134,955	135,509	577	455
One year or later and not later than five years	512,884	521,517	235	222
Beyond five years	657,402	783,135	–	–
Total Finance Lease Commitments	1,305,241	1,440,161	812	677
<i>Less</i>				
Recoverable GST	(118,585)	(130,862)	–	–
Future finance lease charges	(452,440)	(528,564)	–	–
Total Finance Lease Liability	734,216	780,735	812	677

Finance leases relating to the introduction of new rolling stock have an average lease term of 15 years and an average implicit discount rate of 9.89%. There is an option under the Rolling Stock Lease Direct Agreements for the Director of Public Transport (or his nominee) to purchase the rolling stock at the expiry of the leases. The payment of the finance lease liabilities will be funded by the state.

Note 19 **Contingent Liabilities**

Environmental contingent liabilities

Upon the Consolidated Entity's establishment, and in subsequent asset allocations, the Public Transport Corporation did not grant indemnities in relation to any consequences of environmental contamination of land and property 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 has not reliably estimated future expenditure levels that are expected to be required to address environmental issues, including remediation activities. Due to uncertainty regarding the actual quantum of this expenditure, no provision for these costs has been included in the financial statements.

Indemnities

INFRASTRUCTURE LEASES WITH THE DIRECTOR OF PUBLIC TRANSPORT (DPT)

The Consolidated Entity has entered into a number of leases with the DPT under which its assets are made available to various transport operators and track access providers. Under these leases the Consolidated Entity provides various indemnities to the DPT, for example in relation to the exercise of certain powers under the leases and pre-existing environmental contamination. In turn, the DPT provides an indemnity to the Consolidated Entity against any losses that may result from the use of the land and infrastructure by its sub-lessees (transport operators and track access providers).

Subject to the note below relating to litigation, 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.

Litigation

The Consolidated Entity has been joined as a third party to two legal proceedings relating to damage caused by bushfires at Wingeel by a defendant to the proceedings. The parties in the proceedings are:

1. D.K.P. Bath Pty Ltd (plaintiff), Australian Rail Track Corporation Limited, Patrick Portlink Pty Ltd, Genesee & Wyoming Australia Pty Ltd and Twentieth Super Pace Nominees Pty Ltd (Defendants) and VicTrack (Third Party).
2. G&L Robinson (plaintiffs), Australian Rail Track Corporation Limited, Patrick Portlink Pty Ltd, Genesee & Wyoming Australia Pty Ltd and Twentieth Super Pace Nominees Pty Ltd (Defendants) and VicTrack (Third Party).

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.

Note 20 Minister, the Board of Directors and Accountable Officer

The names of persons who were Responsible Persons of the Consolidated Entity at any time during the financial year were:

Responsible Ministers:

The Hon Lynne Kosky MP, Minister for Public Transport

The Hon John Lenders MP, Treasurer

Directors of the Board:

Ms Elana Rubin

Mr John Anderson

Mr Chris Lovell

Dr Bruce Cohen

Mr James Cain (from 01/04/2008)

Accountable Officer:

Mr John Sutton (01/07/2007 – 14/10/2007)

Mr Greg Holt (03/09/2007 – 30/05/2008)

Mr Bob McDonald (from 02/06/2008)

Remuneration of Responsible Persons:

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

	Consolidated		Parent	
	2008	2007	2008	2007
	No.	No.	No.	No.
\$0,000 to \$9,999	1	–	1	–
\$30,000 to \$39,999	4	3	4	3
\$60,000 to \$69,999	1	1	1	1
\$110,000 to \$119,999	1	–	1	–
\$220,000 to \$229,999	1	–	1	–
\$330,000 to \$339,999	–	1	–	1

Total Remuneration of Responsible Persons: \$525,767 (\$502,976 in 2006–07)

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 2007–08 year includes the total salary package received during the year as well as a performance bonus relating to the 2007–08 year. The Accountable Officer's remuneration for the 2006–07 year included the total salary package received during the year as well as a performance bonus relating to the 2006–07 year.

The remuneration of the Minister for Public Transport is reported in the financial statements of the Department of Premier and Cabinet.

Notes to and forming part of the 2008 financial statements

Note 21 Executive Officers' Remuneration

The number of Executive Officers of the Consolidated Entity, other than the Accountable Officer and Executive Officers with remuneration less than \$100,000, and their total remuneration during the reporting period are shown in the second and third columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the fourth and fifth columns. Base remuneration is exclusive of performance bonus payments, long service leave payments, redundancy payments and retirement benefits.

Income Band	Total Remuneration		Base Remuneration	
	2008 No.	2007 No.	2008 No.	2007 No.
\$110,000 to \$119,999	–	1	–	–
\$130,000 to \$139,999	–	1	1	1
\$150,000 to \$159,999	1	–	–	1
\$160,000 to \$169,999	–	–	–	1
\$170,000 to \$179,999	–	–	1	1
\$180,000 to \$189,999	–	1	1	2
\$190,000 to \$199,999	–	1	1	–
\$200,000 to \$209,999	2	3	–	–
\$220,000 to \$229,999	1	–	–	–
Total Numbers	4	7	4	6
Total Amount	\$796,890	\$1,239,178	\$687,217	\$1,093,076

The Executive Officer's remuneration for the 2007–08 year includes the total salary package received during the year as well as performance bonuses relating to the 2007–08 year.

The Executive Officer's remuneration for the 2006–07 year included the total salary package received during the year as well as performance bonuses relating to the 2006–07 year.

Note 22 Financial Instruments

Terms, conditions and accounting policies

The Consolidated Entity's terms, conditions and accounting policies in respect of financial instruments, both recognised and unrecognised, are as follows:

Financial Instrument	Accounting Policy	Terms and Conditions
Financial assets		
Cash assets	Cash deposits are recognised at the account balance at reporting date, including accrued interest. Interest is recorded as revenue as it accrues.	Cash is held at deposit, earning interest at a variable rate.
Other financial assets	Fixed term deposits are recognised at fair value. Investments are recognised at the nominal face value of the investment. Interest is recorded as revenue as it accrues.	The interest earned from fixed term deposits is set at 5.15%, whilst investments earn interest at a variable rate.
Receivables	Receivables are carried at amounts due, less any provision for doubtful debts.	Receivables are on 30-day terms from date of invoicing. Where debts become long overdue, e.g. in excess of 90 days, an assessment is made of collectability, and provision is made for any doubtful accounts.
Financial liabilities		
Payables	Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Consolidated Entity.	Trade liabilities are normally settled within 45 days from the date of recognition.
Interest bearing liabilities	Secured loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost.	Secured loans are fixed interest and are repayable on an agreed plan to September 2021.
Finance leases	Finance leases are recognised at the present value of the minimum lease payments, including any guaranteed residual values, less principal amounts repaid.	Finance leases commenced on 18 April 2004 for a term of 15 years.

Notes to and forming part of the 2008 financial statements

Note 22 Financial Instruments continued

The qualitative and quantitative disclosures relating to the nature and risks arising from Financial Instruments

The disclosures relating to the risks arising from Financial Instruments held focus on Credit Risk, Liquidity Risk and Market Risk.

CREDIT RISK

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

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

The Consolidated Entity's credit exposure in the real estate industry is characterised by a large and diverse range of lessees and licensees. The Consolidated Entity holds bond amounts as security over rent and other payables. To this extent, the credit risk exposure is regarded as low.

Provision for doubtful debts is calculated based on past experience, and current and expected future payments.

A table within Note 22 discloses the ageing of financial assets that are past due.

LIQUIDITY RISK

Liquidity risk arises when Victrack is unable to meet its financial obligations as they fall due. The Consolidated Entity operates under a payment policy of settling obligations within 45 days from receipt of invoice and approval of payment. 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. The exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

There are no financial liabilities that are past due.

MARKET RISK

Market risk arises when the value of future cash flows fluctuates because of changes in market prices.

VicTrack's exposures to market risk are primarily through interest rate risk, foreign currency and other price risks.

FOREIGN CURRENCY RISK

The Consolidated Entity's exposure to foreign currency is through its payables relating to purchases of supplies of Rolling Stock Holdings. Limited amount of purchases denominated in foreign currencies and the reimbursement of cost from the Department of Transport including the short timeframes for settlements minimises the risk.

INTEREST RATE RISK

Interest rate risk arises from the interest bearing financial assets and liabilities that VicTrack use. Minimisation of risk is achieved by undertaking short-term interest bearing financial assets with Treasury Corporation Victoria 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 undertaking 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 2007–08 was 5.86% (5.14% in 2006–07). 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%. Interest income earned on investments is variable. For the year ended 30 June 2008, the Consolidated Entity had interest bearing investments with a weighted average interest rate of 6.98% (6.23% in 2006–07).

Interest Rate Exposure and Analysis of Financial Assets

	Note	Weighted avg effective interest rate %	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired			Impaired financial assets
				Fixed interest rate	Variable interest rate	Non- interest bearing		31-90 days	91-180 days	>180 days	
Consolidated											
2008											
Cash assets		5.90	7,020	1,207	5,690	123	7,020	–	–	–	–
Other financial assets	7	6.97	24,350	100	24,250	–	24,250	–	–	100	–
Receivables	8(a)		27,144	–	–	27,144	20,313	4,334	2,020	477	236
Total financial assets			58,514	1,307	29,940	27,267	51,583	4,334	2,020	577	236
2007											
Cash assets		5.45	3,575	1,212	2,361	2	3,575	–	–	–	–
Other financial assets	7	6.23	44,250	100	44,150	–	44,150	–	–	100	–
Receivables	8(a)		13,236	–	–	13,236	11,624	1,459	153	–	311
Total financial assets			61,061	1,312	46,511	13,238	59,349	1,459	153	100	311
Parent											
2008											
Cash assets		5.86	5,690	–	5,690	–	5,690	–	–	–	–
Other financial assets	7	6.98	24,250	–	24,250	–	24,250	–	–	–	–
Receivables	8(a)		153,874	–	–	153,874	147,043	4,334	2,020	477	236
Total financial assets			183,814	–	29,940	153,874	176,983	4,334	2,020	477	236
2007											
Cash assets		5.14	2,361	–	2,361	–	2,361	–	–	–	–
Other financial assets	7	6.23	44,150	–	44,150	–	44,150	–	–	–	–
Receivables	8(a)		139,409	–	–	139,409	137,797	1,459	153	–	311
Total financial assets			185,920	–	46,511	139,409	184,308	1,459	153	–	311

Notes to and forming part of the 2008 financial statements

Note 22 **Financial Instruments** continued

Interest Rate Exposure and Ageing Analysis of Financial Liabilities

		Weighted avg effective interest rate %	Carrying amount	Interest rate exposure			Maturity dates		
	Note			Fixed interest rate	Variable interest rate	Non- interest bearing	<1 year	1-5 years	>5 years
Consolidated									
2008									
Payables	8(b)	—	27,884	—	—	27,884	27,884	—	—
Interest bearing liabilities	12	8.74	1,123,070	1,122,258	812	—	77,875	343,286	701,909
Total financial liabilities			1,150,954	1,122,258	812	27,884	105,759	343,286	701,909
2007									
Payables	8(b)	—	24,623	—	—	24,623	24,623	—	—
Interest bearing liabilities	12	8.68	1,188,666	1,187,989	677	—	73,584	327,306	787,776
Total financial liabilities			1,213,289	1,187,989	677	24,623	98,207	327,306	787,776
Parent									
2008									
Payables	8(b)	—	26,630	—	—	26,630	26,630	—	—
Interest bearing liabilities	12	6.91	812	—	812	—	577	235	—
Total financial liabilities			27,442	—	812	26,630	27,207	235	—
2007									
Payables	8(b)	—	17,212	—	—	17,212	17,212	—	—
Interest bearing liabilities	12	6.41	677	—	677	—	455	222	—
Total financial liabilities			17,889	—	677	17,212	17,667	222	—

Sensitivity disclosure analysis (Consolidated)

Taking into account past performance, future expectations, economic forecasts, and VicTrack's knowledge it is reasonable to believe the following movements are reasonably possible over the next 12 months:

A parallel shift of +2% and -2% in market interest rates AUD from year end rates of between 5.90 to 6.97% (2007 – between 5.45 to 6.23). The table below discloses the impact on net operating result and equity for each category of financial instruments held by the Consolidated Entity at year end, if the above movements were to occur.

Market Risk Exposure	Carrying amount subject to interest	Interest rate risk			
		+/- 1%		+/- 2%	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
2008					
Financial assets					
Cash and cash equivalents	7,020	68	68	135	135
Other financial assets	24,350	378	378	756	756
Trade and other receivables	27,144	–	–	–	–
Financial liabilities					
Payables	27,884	–	–	–	–
Interest bearing loans and borrowings	1,123,070	–	–	–	–
Total increase/(decrease)		446	446	891	891
2007					
Financial assets					
Cash and cash equivalents	3,575	62	62	124	124
Other financial assets	44,250	488	488	975	975
Trade and other receivables	13,236	–	–	–	–
Financial liabilities					
Payables	24,623	–	–	–	–
Interest bearing loans and borrowings	1,188,666	–	–	–	–
Total increase/(decrease)		550	550	1,099	1,099

Notes to and forming part of the 2008 financial statements

Note 22 Financial Instruments continued

Sensitivity disclosure analysis (Parent)

Taking into account past performance, future expectations, economic forecasts, and VicTrack's knowledge it is reasonable to believe the following movements are reasonably possible over the next 12 months:

A parallel shift of +2% and -2% in market interest rates AUD from year end rates of between 5.86 to 6.98% (2007 – between 5.14 to 6.23). The table below discloses the impact on net operating result and equity for each category of financial instruments held by the Parent Entity at year end, if the above movements were to occur.

Market Risk Exposure	Carrying amount subject to interest	Interest rate risk			
		+/- 1%		+/- 2%	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
2008					
Financial assets					
Cash and cash equivalents	5,690	54	54	107	107
Other financial assets	24,250	378	378	755	755
Trade and other receivables	153,874	—	—	—	—
Financial liabilities:					
Payables	26,630	—	—	—	—
Interest bearing loans and borrowings	812	—	—	—	—
Total increase/(decrease)		432	432	862	862
2007					
Financial assets					
Cash and cash equivalents	2,361	40	40	79	79
Other financial assets	44,150	488	488	975	975
Trade and other receivables	139,409	—	—	—	—
Financial liabilities					
Payables	17,212	—	—	—	—
Interest bearing loans and borrowings	677	—	—	—	—
Total increase/(decrease)		528	528	1,054	1,054

Net Fair Value of Financial Assets and Liabilities

The net fair value of cash, other financial assets, non-interest bearing receivables and payables and interest bearing liabilities to their carrying amount is as follows:

	2008		2007	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Consolidated				
<i>Financial assets</i>				
Cash assets	7,020	7,020	3,575	3,575
Other financial assets	24,350	24,350	44,250	44,250
Receivables	27,144	27,144	13,236	13,236
Total financial assets	58,514	58,514	61,061	61,061
<i>Financial liabilities</i>				
Payables	(27,884)	(27,884)	(24,623)	(24,623)
Interest bearing liabilities	(1,123,070)	(1,095,998)	(1,188,666)	(1,163,432)
Total financial liabilities	(1,150,954)	(1,123,882)	(1,213,289)	(1,188,055)
Net Financial Assets	(1,092,440)	(1,065,368)	(1,152,228)	(1,126,994)
Parent				
<i>Financial assets</i>				
Cash assets	5,690	5,690	2,361	2,361
Other financial assets	24,250	24,250	44,150	44,150
Receivables	153,874	153,874	139,409	139,409
Total financial assets	183,814	183,814	185,920	185,920
<i>Financial liabilities</i>				
Payables	(26,630)	(26,630)	(17,212)	(17,212)
Interest bearing liabilities	(812)	(812)	(677)	(677)
Total financial liabilities	(27,442)	(27,442)	(17,889)	(17,889)
Net Financial Assets	156,372	156,372	168,031	168,031

The Entity determines net fair values in the following manner:

Cash assets	The carrying amount represents fair value as it equates to the account balance withdrawable by the Consolidated Entity at any time without notice.
Other financial assets	For investments, the carrying amount represents fair value as it comprises a contractual obligation on the financial institution to repay principal to this value upon maturity. For funds on deposit, the fair value represents the present value of interest and the amount on deposit.
Receivables	The carrying amount represents fair value, as it is a contractual obligation on the debtor, usually payable within 30 days of the date of recognition.
Payables	The carrying amount represents fair value, as it comprises a contractual obligation on the Consolidated Entity, usually payable within 45 days of the date of recognition.
Interest bearing liabilities	The fair value represents the present value of interest and principal repayments.

Note 23 Remuneration of Auditors

	Consolidated		Parent	
	2008	2007	2008	2007
	(\$)	(\$)	(\$)	(\$)
Audit fees paid or payable to the Victorian Auditor-General's Office for the audit of the financial statements:				
Paid as at 30 June	–	70,975	–	22,275
Payable as at 30 June	114,000	90,575	64,800	42,475
Total remuneration of auditors	114,000	161,550	64,800	64,750

Disclosure Index

The Annual Report of VicTrack is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

Ministerial Directions

Legislation	Requirement	Page
Report of Operations		
Charter and purpose		
FRD 22	Manner of establishment and the relevant Ministers	3
FRD 22	Objectives, functions, powers and duties	3
FRD 22	Nature and range of services provided	12
Management and structure		
FRD 22	Organisational structure	14
Financial and other information		
FRD 22	Statement of workforce data and merit and equity	45
FRD 22	Summary of the financial results for the year	56
FRD 22	Significant changes in financial position during the year	56
FRD 22	Operational and budgetary objectives and performance against objectives	56
FRD 22	Major changes or factors affecting performance	56
FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	54
FRD 22	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	54
FRD 22	Statement on National Competition Policy	55
FRD 22	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	55
FRD 22	Details of consultancies over \$100,000	54
FRD 22	Details of consultancies under \$100,000	54
FRD 12	Disclosure of major contracts	n/a
FRD 22	Occupational health and safety	45
FRD15	Executive officer disclosures	90
FRD 10	Disclosure index	99
FRD 25	Victorian Industry Participation Policy disclosures	55

Disclosure Index continued

Financial Statements

Financial statements required under Part 7 of the *Financial Management Act 1994*

Legislation	Requirement	Page
SD 4.2 (c)	Compliance with Australian accounting standards and other authoritative pronouncements	62, 67- 68
SD 4.2 (c)	Compliance with Ministerial directions	62, 67
SD 4.2 (d)	Rounding of amounts	74
SD 4.2 (c)	Accountable officer's declaration	62
SD 4.2 (f)	Compliance with model financial report	62
SD 4.2 (b)	Operating statement	63
SD 4.2 (b)	Balance sheet	64
SD 4.2 (a)	Statement of changes in equity	65
SD 4.2 (b)	Cash flow statement	66

Other disclosures in notes to the financial statements

Legislation	Requirement	Page
FRD 9	Departmental disclosure of administered assets and liabilities	n/a
FRD 11	Disclosure of ex-gratia payments	n/a
FRD 13	Disclosure of parliamentary appropriations	n/a
FRD 21	Responsible person and executive officer disclosures	89-90

Legislation

Act	Page
<i>Freedom of Information Act 1982</i>	54
<i>Building Act 1993</i>	54
<i>Whistleblowers Protection Act 2001</i>	55
<i>Victorian Industry Participation Policy Act 2003</i>	55
<i>Financial Management Act 1994</i>	67
<i>Audit Act 1994</i>	60



Moreland Station.



VicTrack

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