

VicTrack

Annual Report 2008–09





Contents

Letter to the Minister

17 September 2009

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

Dear Minister

I have much pleasure in submitting the Annual Report for VicTrack for the period of 1 July 2008 to 30 June 2009 for your presentation to Parliament.

Yours sincerely



Elana Rubin
Chair

PART 1 – ABOUT VICTRACK

VicTrack – a snapshot	3
Mission, vision, values	4
Highlights 2008–09	5
Report from the Chair	6
Report from the Chief Executive	7
Government policy framework	8
Core functions and business units	9
Board members and committees	10
Executive team and organisational structure	11

PART 2 – OUTCOMES

Delivering value to transport	13
Improving safety	13
Supporting a resilient public transport system	16
Integrating transport and land use planning	19
Facilitating efficient freight	22
Delivering value to Whole-of-Government	25
Improving access to telecommunications	25
Providing for community facilities	26
Delivering value to the community	29
Managing environmental challenges	29
Protecting rail heritage	30
Supporting community partners	33
Improving VicTrack's capability	37
Developing our people	37
Encouraging health and wellbeing	38
Improving corporate capacity	39

PART 3 – STATUTORY AND FINANCIAL REPORTING

Corporate governance	41
Statutory information	45
Financial performance	46
Independent auditor's report	48
Statutory statement	50
Financial report	51
Disclosure index	88
Appendix: Level and pedestrian crossing upgrades 2008–09	90



PART 1: ABOUT VICTRACK

VicTrack – a snapshot

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

The corporation was created in 1997 under section 8 of the *Rail Corporations Act 1996* and is a State Business Corporation 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, telecommunications 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 generated 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 bodies and community groups.

Mission, vision, values

Mission

VicTrack's mission is to improve the value of assets it manages for the State and to 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 by providing 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 common goals.

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.



Minister for Public Transport, Lynne Kosky

Highlights 2008–09

In 2008–09, VicTrack:

- › Upgraded 45 road and pedestrian crossings across Victoria by installing flashing lights and/or boom barriers (at level crossings) and automatic gates (at pedestrian crossings). Also installed Active Advance Warning Signs at 22 level crossings and upgraded 18 crib crossings to comply with the *Disability Discrimination Act 1992*.
- › Trialled two kinds of locking technologies for emergency escape gates to improve safety at pedestrian crossings – an electromagnetic latch at Yarraville and a mechanical latch at Bentleigh Station.
- › Managed a major upgrade of the former Public Transport Corporation Training Centre in partnership with the Department of Transport to create the Rail Skills Centre – Victoria, a state-of-the-art training facility for the rail and tram industry.
- › Built a dedicated Network Operations Centre (NOC) to oversee VicTrack's growing telecommunications network. Rail operators and other customers can contact the NOC to report problems, track faults or upgrade their communications systems.
- › Completed repairs and refurbishments to eight country train stations across Victoria, including installing a new platform shelter, bus shelter and toilets at Gisborne Station and painting and refurbishing Dimboola Station.
- › Adopted a masterplan for the redevelopment of the E-Gate site and appointed Major Projects Victoria as project manager.
- › Contributed to the development of the Victorian Government's *Freight Futures* plan which provides strategies for decentralising non-export freight from the Port area and relieving congestion in and around Melbourne.
- › Started work on the Intra-Government Secure Network (iGSN), which will link major government departments in Melbourne's CBD with data centres in metropolitan Melbourne and regional Victoria.
- › Negotiated two major land sales to boost community open space – one in Cobram to Moira Shire Council for the development of a major park and tourist precinct and the other in Albion to the City of Brimbank for a children's playground.
- › Completed the second stage of a major heritage restoration of Maryborough Railway Station and earned the 2008–09 Heritage Award from the Australian Property Institute (Victorian Division) for one of the largest heritage restorations in Victoria.
- › Developed a four-year *Sustainability Strategy and Action Plan* to minimise the environmental impact of VicTrack's operations. The strategy focuses on reducing office-based carbon emissions, improving business operations and environmental initiatives.



Report from the Chair



The past 12 months have been an exciting and challenging time for VicTrack.

The organisation has been through an important period of review, involving extensive feedback from stakeholders and staff, an internal restructure and a renewed focus on customer service.

These changes have helped VicTrack examine what it does best and increased our focus on working with the Department of Transport and other agencies to achieve better public transport outcomes for all Victorians.

VicTrack continues to be a major contributor to safety across Victoria's rail system.

On behalf of the Victorian Government, last year we upgraded 45 road and pedestrian crossings throughout the state with flashing lights, boom barriers and automatic gates. We also installed Active Advance Warning Signs at 22 level crossings and upgraded 18 crib crossings to comply with the *Disability Discrimination Act 1992*.

New technologies for emergency escape gates were also trialled in Yarraville and Bentleigh to improve safety at pedestrian crossings.

VicTrack's commitment to safety extends beyond these vital initiatives.

Our growing fibre optic network provides essential infrastructure for rail safety and signalling systems as well as CCTV surveillance. In the past 12 months VicTrack's fibre optic network grew by more than nine per cent and now covers Melbourne's entire rail network, allowing for the installation of CCTV cameras at all metropolitan train stations.

We also continued our work with the Department of Transport and other agencies, to better integrate public transport infrastructure with other community assets and facilities to improve safety, amenity, access and security, particularly in country Victoria.

A good example is our partnership with Latrobe City Council, the Department of Transport and the Department of Planning and Community Development. A detailed masterplan for the Traralgon Station precinct will provide a new bus interchange, an improved station entrance as well as retail, commercial and residential development opportunities.

We also continued our important program of repairing and refurbishing country stations to support better service to transport users. Works were completed at Kyneton, Gisborne, Ballarat, Diggers Rest, Macedon, Riddells Creek, Dimboola and Morwell.

During 2008-09, VicTrack took steps to ensure that Victoria's rail network is in skilled, highly-trained hands for current and future generations. Partnering with the Department of Transport, a major refurbishment of the former Public Transport Corporation training centre at Newport was undertaken. The result is a leading-edge industry training facility, the Rail Skills Centre – Victoria.

Another major project set to deliver benefits long into the future is the design and construction of the Intra-Government Secure Network (iGSN).

This important initiative harnesses VicTrack's fibre optic capability for achieving wider Whole-of-Government objectives. When complete, the network will link major government departments in Melbourne's CBD with data centres in metropolitan Melbourne and regional Victoria via a secure, high-bandwidth data service.

The public transport sector will also benefit from improved management of the network arising from the iGSN project.

Alongside these achievements, VicTrack has continued to uphold its environmental and social commitments. During the year we negotiated two major land sales that will lead to the development of a major formal park in Cobram and a new children's playground in Albion.

While the VicTrack entity recorded an operating profit for the 2008-09 financial year, after excluding Victorian Government receipts for capital and related works, the actual cash available for investing in new business opportunities, infrastructure and property rehabilitation works was \$12.6m. Over the coming year we will continue to monitor our cash position carefully to ensure we make optimal investment decisions.

Of course, all of these achievements would not be possible without the dedication and hard work of VicTrack staff. On behalf of the Board, I would like to congratulate them on another successful year.

I would also like to thank the Board for its ongoing commitment, the Minister for Public Transport, Lynne Kosky, for her support and our colleagues at the Department of Transport with whom we have a close and productive relationship.

Finally, I would like to extend my congratulations to VicTrack Chief Executive, Bob McDonald, on an outstanding first year and his strong leadership during a time of transition and new opportunities.

Elana Rubin

Report from the Chief Executive

The past year for VicTrack has been one of major achievements, renewed energy and greater understanding of what our transport and other customers and stakeholders want.

For the fourth consecutive year, VicTrack delivered the Level and Pedestrian Crossing Upgrade Program across Victoria and achieved a higher number of road and pedestrian crossing improvements than in any previous year.

We completed a wide range of other projects for the Department of Transport to improve station amenity and car parking, in particular:

We also continued to grow the fibre optic network which will become an increasingly important platform for a whole range of benefits to be delivered to transport and other users.

We opened a dedicated Network Operations Centre to monitor and control our growing telecommunications network, to better serve transport and Whole-of-Government partners through the iGSN project and other initiatives.

We continued our successful Heritage Program and were proud to receive a Heritage Award from the Australian Property Institute (Victorian Division) for our work at Maryborough Railway Station.

A survey of external stakeholders during the year returned an overall satisfaction score of 74 per cent which was pleasing. Action plans are currently being prepared to address areas identified for improvement.

This year more than 89 per cent of VicTrack staff responded to the Staff Satisfaction Survey with 67 per cent agreeing that VicTrack is a 'truly great place to work'.

We have aligned our four business units more closely with operational functions; created a new client and provider model within VicTrack; clarified roles and responsibilities; and developed a detailed Customer Service Charter.

As a result of these and other initiatives, VicTrack is on the path to becoming a more customer-focused organisation that provides greater value to the transport sector.

Despite recent restructuring within the transport industry, VicTrack met all of its financial targets in 2008–09 and we are now exploring new ways to earn income from our asset base into the future.

During the past year, VicTrack was pleased to contribute to the Victorian Government's *Freight Futures* plan. With our expertise in managing freight access to the Dynon Precinct and our property management knowledge, we are well-placed to provide planning and development services for future intermodal facilities.

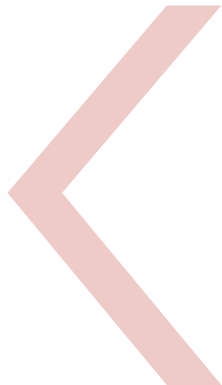
We are committed to cementing our close working relationship with the Department of Transport, to deliver new initiatives under the *Victorian Transport Plan* and to help other agencies achieve broader social and community goals.

We are keen to build on our strong capabilities in rail, asset management, telecommunications and property development.

On a personal note, I would like to thank the Board and Minister Kosky for their support and guidance during my first year in the role.

I also want to thank the executive team and VicTrack staff for their hard work and goodwill which will continue to strengthen the organisation and help it achieve its full potential.

Bob McDonald



Government policy framework

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

VicTrack's most important objective is to support the priorities of the transport portfolio and contribute to the achievement of the Department of Transport's mission of:

'Building a safer, greener transport system for all Victorians to create a more prosperous and connected community'.

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.

Transport portfolio priorities and strategies

The VicTrack Corporate Plan supports the Department of Transport's strategic framework which is drawn from the priorities and strategies detailed in the *Victorian Transport Plan (VTP)* and *Freight Futures*.

Victorian Transport Plan (VTP)

The *VTP* sets out the steps the Victorian Government will take to transform the State's transport system.

It involves a \$38 billion investment in delivering more trains and trams, more train tracks and stations, better roads and more transport choices in cities, regional centres and country towns to link Victoria's communities.

Through short, medium and long term projects, the government will address population growth, meet the challenge of climate change and build for Victoria's next era of prosperity.

Freight Futures

Freight Futures is the Victorian Government's strategy to drive the development of an efficient, sustainable freight network for the future that balances the needs of the growing Victorian economy and population with the quality-of-life aspirations of the Victorian community.

Melbourne 2030 and Melbourne @ 5 million

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.

Melbourne @ 5 million builds on the foundations of *Melbourne 2030* and provides a context for the *Victorian Transport Plan*. The initiative most relevant to VicTrack is the designation of six new Central Activities Districts that will be the focus of a substantial proportion of future job growth and public investment.

Efficient Government Policy, Broadband Framework- Pathway to the Future and Innovation: Victoria's 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.

Innovation: Victoria's Future provides the strategic direction and investment needed to drive Victoria's science, technology and innovative capabilities. ICT figures strongly in terms of building a more productive and competitive 21st century economy.

Victoria's Heritage, Strengthening our Communities

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.

Core functions and business units

VicTrack's structure consists of four main departments supported by business services including 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 Victorian Government.

Commercial

The Commercial Department is responsible for:

- › managing a telecommunications 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
- › working in partnership with the Department of Transport to deliver critical communications projects
- › leveraging surplus network capacity to improve broadband access for the government sector

Asset Management

The Asset Management Department is responsible for:

- › improvement works to country stations, bridges and other assets
- › project managing the Victorian Government's Level and Pedestrian Crossing Upgrade Program
- › maintaining infrastructure and property that is not leased to other parties
- › managing access to the State's 40,000 technical rail drawings
- › managing the Rail Skills Centre – Victoria

Rail Business

The Rail Business Department is responsible for:

- › managing and developing key rail-based sites in the Melbourne area
- › providing rail track access to strategic central Melbourne areas, including the Dynon terminals
- › managing heritage buildings and rolling stock assets
- › providing transport and logistics advice to freight-related authorities and groups
- › improving VicTrack's safety systems and maintaining Rail Safety Accreditation

Property

The Property Department is responsible for a large property portfolio, including:

- › business, community and other leasing
- › licensing
- › land assessment
- › sales and acquisitions
- › service access
- › land records
- › transport-oriented projects which deliver improvements to safety, security, amenity and access around transport nodes

This department is also responsible for maintaining and improving the yield of the outdoor advertising portfolio.



Board members and committees

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.

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.

Elana Rubin – MA, GAICD, FFin Chair

Elana Rubin was appointed a Director of VicTrack in July 2000 and Chair on 1 January 2005. She is also Chair of the Victorian Workcover Authority and of Australian Super. Elana is a Director of the Industry Superannuation Property Trust, Hotel Leisure & Tourism Trust of Australia, the Transport Accident Commission (TAC) and SecondBite.

John Anderson – Cert EDP, MACS Deputy Chair

John Anderson was appointed a Director of VicTrack in April 2000 and Deputy Chair in January 2005. He was appointed Chair of the Heritage Advisory Panel in July 2002. John is a Director of the West Gippsland Healthcare Group and West Gippsland Catchment Authority.

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 is a Director of Melbourne Water and has previously held directorships with VENCORP and Snowy Hydro Limited.

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 large-scale property projects. He is a trustee of the MCG Trust, a Director of Clemenger Communications Limited and the Melbourne Community Foundation.

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 from 1990 to 2001 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.

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 and a Director of Rural Finance Corporation. 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.

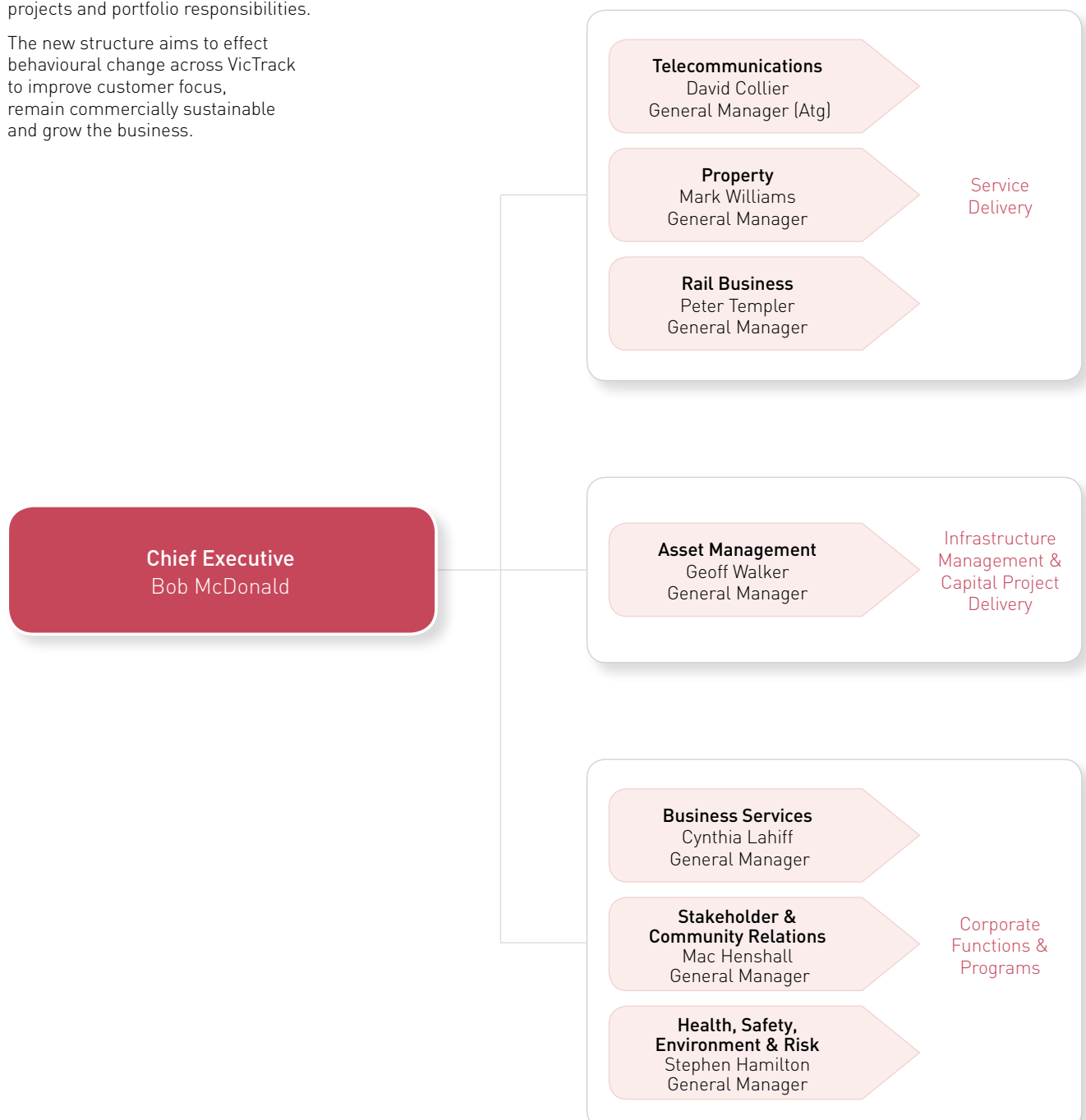


Left to right: Elana Rubin (Chair), James Cain, Bob McDonald (Chief Executive), Chris Lovell, Bruce Cohen, John Anderson (Deputy Chair), Martin Bede (Company Secretary). INSET: Sam Andersen (Member of Audit and Risk Management Committee)

Executive team and organisational structure

An organisational restructure was implemented in December 2008 to improve the way that VicTrack departments work together across projects and portfolio responsibilities.

The new structure aims to effect behavioural change across VicTrack to improve customer focus, remain commercially sustainable and grow the business.





PART 2: OUTCOMES REPORT

Delivering value to transport

Improving safety

VicTrack is committed to ensuring the safety and security of all who use Victoria's rail network.

A series of ongoing safety programs make up VicTrack's core activities, including upgrading rail and pedestrian level crossings, researching and developing leading-edge rail safety technology and supporting CCTV coverage across the metropolitan rail network.

2008–09 highlights

Target exceeded for crossing upgrades

VicTrack met its annual targets ahead of schedule in 2008–09, completing in one year the largest number of improvements under the Victorian Government's Level and Pedestrian Crossing Upgrade Program to date.

In partnership with other road and rail agencies, VicTrack met its target of improving safety at 45 road and pedestrian crossings across Victoria. Works involved the installation of flashing lights or boom barriers at level crossings and automatic gates at pedestrian crossings.

In addition, Active Advance Warning Signs (AAWS) were installed at 22 level crossings during the year (against a target of 21) and by April 2009, 18 crib crossings (two more than target) were upgraded to standards required under the *Disability Discrimination Act 1992 (DDA)*.

Strong focus on research and development

VicTrack established a Technical Support Group in 2008 to focus on research and development of new technologies that will improve the safety of road and pedestrian crossings.

This group manages the Australian Level Crossing Assessment Model (ALCAM) and the Rail Skills Centre at Newport.

During 2008–09:

- › An electromagnetic emergency escape gate latch was installed at Yarraville Station to stop illegal access to the line, especially when trains are approaching. This is now being trialled.

The electromagnetic latch is one of two locking technologies VicTrack is trialling to improve safety at pedestrian crossings – the other is a mechanical latch at Bentleigh Station.

The benefits of the electromagnetic latch are its ease of operation and the reduced need for ongoing maintenance. A study of passenger behaviour will be performed as part of both trials and recommendations will be made about which unit is best for future pedestrian crossing upgrades.

- › A series of new technologies was trialled at Bentleigh Station following unfortunate deaths at Victorian pedestrian crossings.

As well as the latch mentioned above, the trials included the Red Man Standing Sign which advises pedestrians the crossing is operating and the Another Train Coming Sign which alerts people that there is more than one train in the vicinity, making it dangerous to cross the line.

- › The trials were implemented by VicTrack's Railway Crossing Technical Group on the advice of the Victorian Railway Crossing Safety Steering Committee.
- › A new Bodan pedestrian surface was trialled at Preston Station to determine if it improves pedestrian safety, especially for personal mobility vehicles. The trial will also examine whether the new surface is easier to maintain than conventional surfaces.
- › Traffic lights at level crossings are being investigated to determine whether they are safer than flashing lights and/or boom barriers. The trial, by VicRoads, has involved a simulation of traffic lights at level crossings by the Monash University Accident Research Centre. Findings will be reported in late 2009.
- › A low-cost, Hi-Lux level crossing warning device was trialled at Creswick North to evaluate if it was a suitable alternative system to control level crossings.

Other technologies trialled to improve safety at level crossings included: rubber inserts in the roadway, SafeZone road lights and, in conjunction with V/Line, remote monitoring of level crossings. In addition, VicTrack and V/Line assessed the O'Connor radar device and axle counters as alternative systems for controlling level crossings.

VicTrack has also been developing new evaluation criteria to assess these technologies.

Second risk survey completed

The Australian Level Crossing Assessment Model (ALCAM) is the risk assessment tool used for ranking level crossings throughout Australia. VicTrack manages ALCAM for all Victorian crossings on behalf of the Department of Transport.

In 2008-09, VicTrack began a second survey of all level crossings throughout Victoria using the ALCAM method. This included occupation crossings where local farmers have legal rights to cross railway lines to access their paddocks.

A total of 326 level crossings and 217 occupation crossings were assessed on the following lines: Pyrenees Loop to Serviceton; Maroona to Pyrenees Loop; Dimboola to Yaapeet; Murtoa to Hopetoun; and Maroona to Portland.

VicTrack began consulting with a number of rail and road operators about the possible closure of some level crossings.

The next generation of the ALCAM database – where all level crossing data is stored – was also rolled out throughout Australia and New Zealand in 2008-09, starting with lines managed by the Australian Rail Track Corporation.

Communications upgrades contribute to safer rail system

VicTrack supports the Department of Transport's initiative to improve safety at metropolitan railway stations by providing access to its fibre optic network for CCTV surveillance.

In 2008-09, VicTrack completed fibre optic cabling of all metropolitan stations, allowing for the installation of CCTV cameras across the Melbourne rail network. VicTrack also manages, on behalf of the Department, the storage of images captured by around 3,000 cameras.

VicTrack also completed the second of a four-year \$15 million program to build a terrestrial telecommunications network for the new Digital Train Radio System (DTRS) being implemented by the Department of Transport, which will replace the current analogue system.

VicTrack's Synchronous Digital Hierarchy (SDH) network will provide voice and data communications on a single technology platform to DTRS, with full coverage across the metropolitan rail system.

Rail safety issues monitored

As an Accredited Rail Operator, VicTrack continues to manage its key sidings in inner Melbourne and some suburban areas, focusing on risk reduction, managing change, and the interfaces between operating companies using the tracks.

Throughout 2008-09, Safety Interface Agreements and local procedures were regularly reviewed to ensure changes in operating practices were suitably reflected and working environments remained safe.

Improved track access to Dynon Precinct

In 2008-09, VicTrack continued to improve safe and secure access to the Dynon Precinct by developing Interface Coordination Plans with other key operators and reducing risks on key projects taking place in the area.

A review of safety procedures on operational sites, in conjunction with other operators, also enhanced VicTrack's overall systems. The use of CCTV cameras within the Dynon Precinct has provided a clearer overview of daily operations.

Looking forward

In 2009-10, VicTrack will deliver more than 50 road and pedestrian crossing upgrades across Victoria, including active, AAWS and DDA.

In addition, the Signal Project Group will deliver additional works for VicRoads, local councils and the Department of Transport, including traffic light coordination, road widening and signalling rationalisation and rehabilitation projects.

A comprehensive ALCAM training program will be rolled out to all industry stakeholders and other interested groups and additional Safety Interface Agreements will be developed in conjunction with road operators.

The Commercial Department will continue to extend its fibre optic network to provide managed data services for the new DTRS network, and will continue to support the Department of Transport's CCTV network, including looking to extend data storage capacity.



CCTV surveillance

Anne Browne, Senior Account Manager, Commercial

Yarraville trial improves pedestrian safety

A new latch system is being trialled by VicTrack at Yarraville Station to reduce the number of people who cross the tracks illegally.

The trial is a direct response to a campaign by Yarraville residents and traders to improve pedestrian safety, following one death and another serious accident at the crossing in recent years.

Cross Safe at Yarraville spokesperson, Lisel Thomas, said until the trial started it was common for pedestrians to pull open emergency gates and cross the tracks during peak periods. "We did a survey and were horrified to discover that as many as eight people per hour crossed illegally," Lisel said.

While the community's original preference was a pedestrian underpass, VicTrack proposed the trial of a simpler solution – a one-way electromagnetic latching system on the existing pedestrian escape gates.

Installed in early 2009, the magnetic latches engage whenever the boom gates close, holding the escape gates shut. For anyone caught on the crossing, a button can be pushed by hand or foot, disengaging the latch and allowing the gate to open. A special guard plate stops people from leaning over the fence and pushing the button from outside.

The electromagnetic latch is one of two locking technologies VicTrack is trialling to improve safety at pedestrian crossings – the other being a mechanical latch at Bentleigh Station. The benefits of the electromagnetic latch are its ease of operation, reduced need for ongoing maintenance and suitability for heritage-listed gates.

Although the trial is still underway, Lisel said the new latches have already broken a culture of crossing illegally. "Since they were fitted I've only seen a handful of people cross illegally."

Lisel was also happy her children no longer had to watch so many adults cross the railway line unsafely, and hoped the trial would benefit other communities.



Left to right: Yarraville residents Sen Turner, Kartiya Turner and mum, Lisel Thomas

Supporting a resilient public transport system

One of VicTrack's primary roles is to maintain and upgrade the assets it manages on behalf of the Victorian Government and all Victorians. These varied assets include rail and ICT infrastructure, land, buildings and bridges.

2008-09 highlights

Fibre optic network complete for Melbourne's rail system

VicTrack's fibre optic network grew by 9.3 per cent in 2008-09 and now covers Melbourne's entire metropolitan rail network.

All metropolitan train stations have access to VicTrack services, including intensive data applications to enhance operational efficiency, safety and security.

In 2008-09, VicTrack completed an additional 76.6 kilometres of main fibre optic builds and 27.5 kilometres of minor builds and tails. The total length of the network is now 1,221.5 kilometres.

New Wendouree Station linked to network

VicTrack's fibre optic network was extended to include western Victoria's new Wendouree Station, located 4.5 kilometres from central Ballarat.

The new station on the Ballarat to Ararat line serves more than 27,000 people living in Wendouree, Alfredton, Lake Wendouree and the nearby townships of Learmonth and Miners Rest.

VicTrack's data services at Wendouree Station enable V/Line to provide electronic passenger information as well as operate safety and security systems.

Car park upgrades

VicTrack upgraded four metropolitan train station car parks last financial year.

Works were carried out at Roxburgh Park, Chelsea, Seaford and Cheltenham stations, on behalf of the Department of Transport, and included earthworks, drainage, pavement and concrete works.

The Roxburgh Park car park was upgraded to include capacity for 160 vehicles; Chelsea and Seaford stations now have capacity for 80 vehicles; and Cheltenham can accommodate 60 vehicles. The works also included new fencing, landscaping, lighting and installation of CCTV.

Country train stations upgraded

As part of a four-year Country Station Upgrade Program, VicTrack has undertaken a wide range of repairs and refurbishments of Victorian train stations.

During the past year, VicTrack delivered a series of improvements across the network, including the replacement of the slate roof at Kyneton Station, and providing Gisborne Station with a new platform shelter, bus shelter and public toilets, including disabled facilities.

Other train stations that benefitted from the program last year included: Ballarat Station, which received a new footbridge; Diggers Rest and Macedon Stations where old asbestos roofs were replaced; the Riddells Creek Goods Shed, where the roof and floor were upgraded; Dimboola Station which was painted and refurbished; and Morwell Station where a partial roof replacement was undertaken.

Road and foot bridges repaired

Major repairs took place at five road and two pedestrian bridges during 2008-09.

These included lifting the load limit on the Bena-Kongwak Road Bridge at Bena, and the Moyston Road Bridge at Great Western.

Bridges at Peel Road and Spring Creek Road, Inverleigh, were both strengthened while a road bridge in Hamilton was upgraded and guard rails installed. Decking and guard rails were also upgraded on the Huntly-Fosterville Road Bridge in Bendigo.



Bike cage at Bendigo



Pedestrian bridge at King Street, Ballarat



Steve Williams, Business Manager, Rail Business

During the year, a timber pedestrian bridge in Echuca was re-decked while a similar bridge in Wimmera Street, Dimboola, was strengthened. Footbridges at King Street, Ballarat, and Watson Avenue, Eaglehawk, were repainted.

VicTrack supports Melbourne's new ticketing system

VicTrack is delivering a turn-key, managed data solution to ticketing consortium KAMCO to support Melbourne's new ticketing system, myki.

In 2008–09, VicTrack completed and commissioned the KAMCO Wide-Area-Network (WAN), which consists of more than 420 fixed line and 4,500 wireless data services, servicing trains, trams, buses, depots and retail agents throughout Victoria.

By providing leading edge communications infrastructure to KAMCO, VicTrack is laying the groundwork to support real-time financial transactions throughout Melbourne's public transport system.

Bike cages at regional stations

VicTrack managed the installation of bicycle cages at five regional railway stations last year – Geelong, South Geelong, Ballarat, Bendigo and Castlemaine – on behalf of the Victorian Government.

The project delivered secure storage for up to 25 bikes at each location and provides sustainable transport options for people in regional Victoria.

Meeting demand for rail skills training

In partnership with the Department of Transport, VicTrack completed a major refurbishment of the former Public Transport Corporation training centre in 2008–09, to create a state-of-the-art training facility which re-opened under the new name Rail Skills Centre – Victoria (RSCV).

VicTrack also developed a governance structure to manage and oversee the RSCV on behalf of the Victorian rail and tram industry.

Located in Newport, RSCV is a key initiative to meet future industry training demands. The centre is designed to address issues such as an ageing workforce and an expanding train and tram network. The facility includes six classrooms, each capable of accommodating 18 trainees.

The centre has 450 metres of train track and overhead, 350 metres of tram overhead, various signalling systems, pedestrian crossings and boom gates. Courses offered include: graduate programs in design, electrical and signalling; signal technician apprenticeships; train driver training; and track safe working programs.

Network Operations Centre (NOC) opens

In 2008, VicTrack constructed a dedicated Network Operations Centre to monitor and control its growing telecommunications network more effectively.

The centre brings together the necessary people, processes and tools to support VicTrack's network. The NOC team is responsible for network change management, monitoring alarms and managing various network performance metrics.

Rail operators and other customers can contact the NOC to report problems, track fault requests or explore opportunities to enhance their communication systems.

EM100 used interstate

In addition to monitoring Victorian railway tracks throughout 2008–09, the EM100 track recording car completed runs on the interstate Australian Rail Track Corporation (ARTC) network from Melbourne to Adelaide, Broken Hill and Junee to undertake siding recordings.

Purchased in 2004, the EM100 track recorder continues to provide vital track geometry data to a number of rail operators. This data is used to identify track faults and variances and to inform track maintenance requirements.

The EM100 is being upgraded with new software to improve its GPS and reporting capabilities.

Looking forward

VicTrack will work with the Department of Transport to identify ways to support the implementation of the *Victorian Transport Plan*.

In the coming year VicTrack will work closely with the public transport operators to enhance the communications network for Melbourne's new ticketing system, myki, and roll out a range of major communications projects to industry, including the DTRS.

VicTrack will widely promote the Rail Skills Centre – Victoria as a leading facility for rail industry training.

The organisation will also work with stakeholders to improve the centre's layout of field equipment to make it a centre of excellence for rail training across all disciplines of the Victorian rail industry.





New rail training centre puts Victoria on the map

Providing high quality, safe training for Victoria's tram and rail network is the main aim behind a \$500,000 upgrade of Rail Skills Centre – Victoria (RSCV).

Funded by VicTrack and the Department of Transport, the new centre provides specialised facilities to train workers in everything from driving a train to maintaining track and signalling.

State Secretary of the Rail, Tram and Bus Union, Trevor Dobbyn, said the centre was a major step forward for the industry, which had suffered from a lack of investment in training since the privatisation of Melbourne's rail network in 1999.

"This is a critical facility for up-skilling our workforce to meet the future needs of the industry, particularly given the growing number of people using Melbourne's public transport network," Trevor said.

"The new centre will ensure the rail network is properly maintained for current and future generations, as well as ensuring it is operated by skilled personnel who maintain strict safety standards."

Managed by VicTrack on behalf of the industry, RSCV is located in Newport and includes 450 metres of train track and overhead, 350 metres of tram overhead as well as various signalling systems, pedestrian crossings, boom gates and a power traction substation.

It also boasts six state-of-the-art classrooms with in-built audio visual facilities, wireless internet access and a range of industry-specific training technologies.

Courses offered include graduate engineer programs in signalling, signal technical apprenticeships, track safe working programs, train driver training, high rail training and overhead train and tram training.

Trevor said another advantage of the new facility was the ability to test out new technologies in a controlled environment before undertaking field testing.

"The feedback we're receiving from industry is fantastic. Plus, we've already been recognised by interstate training bodies as a 'centre of excellence', which really puts us on the map," he said.

Integrating transport and land use planning

VicTrack contributes to a range of Victorian Government planning initiatives by identifying suitable land for sustainable development that is close to existing transport and community infrastructure.

2008–09 highlights

Supporting development of central activities districts

VicTrack continues to support Victorian Government programs aimed at developing central activity districts and regional transit cities.

Six railway station precincts have been nominated for development – Dandenong, Broadmeadows, Ringwood, Footscray, Box Hill and Frankston.

VicTrack is also assisting the Department of Transport and the Department of Planning and Community Development to deliver on some of their long-term planning objectives.

In Dandenong, VicTrack is enabling VicUrban to develop the former Dandenong Stockyards site into a new residential and commercial precinct via the sale of land previously leased to Pacific National and Mainco.

VicTrack intends to sell the land to VicUrban who will undertake its redevelopment following a program of tenant relocation, asset removal and site remediation.

Strategic planning with local municipalities

In 2008–09, VicTrack completed strategic plans for its land holdings in the municipalities of Bayside, Banyule, Latrobe, Kingston, Monash, Nillumbik, Whittlesea, Glen Eira, Hobson's Bay and Wodonga.

Masterplans were also completed for part of the Newport Railway Workshops, located between the Williamstown and Werribee lines, and the old Fyansford Line, located in the City of Greater Geelong.

To date, 27 plans have been completed to guide VicTrack's strategic land use priorities, and a number of potential transport-oriented projects have been identified. Many of these projects are being investigated further by the Property Department and prioritised along with other initiatives.

E-Gate Masterplan adopted

A masterplan for the redevelopment of the E-Gate site was adopted by the VicTrack Board in 2008–09 and Major Projects Victoria was appointed as project manager.

The E-Gate Masterplan envisages the redevelopment of approximately 20 hectares of land at Gate E of the Melbourne Rail Yard in North Melbourne. The site is located north of Footscray Road and south of North Melbourne Station.

It is the last large parcel of land in the inner-city without a long-term strategic plan.

The Victorian Government allocated \$2 million in the 2009 State Budget for the preparation of a business case to progress planning for the future of the E-Gate precinct. Major Projects Victoria will develop the business case with support from VicTrack, the Department of Transport, the Department of Premier and Cabinet and VicRoads.

The business case will consider strategic policy issues such as transport, land use, community vision, urban design, ecologically sustainable design, and procurement and delivery mechanisms. It will also consider technical aspects such as people movement, commercial assessment, relocation of existing tenants, site clean-up and environmental remediation, design options and engineering for a pedestrian link to North Melbourne Station.

New precinct for Glen Waverley takes shape

VicTrack and the City of Monash are working together to redevelop land between Glen Waverley Station and Kingsway into a dynamic commercial precinct with better pedestrian access and car parking facilities.

Under the Monash Planning Scheme, an eight-storey development plus two basement levels for car parking is permitted on the site. Its redevelopment will create improved access for pedestrians between the train station, bus interchange and the commercial and civic precinct of Glen Waverley.

In conjunction with the City of Monash and the Department of Planning and Community Development, VicTrack is also funding the diversion of Kingsway traffic which will increase the development footprint.

Affordable housing for Moreland and Pascoe Vale

VicTrack recently appointed a preferred developer to convert disused land adjacent to Moreland Station into a modern residential development with up to 100 apartments, the majority of which will be affordable housing.

The project will include upgrading station facilities and nearby surrounds as well as addressing a range of priorities for the area, identified via community consultation.

A preferred developer was also appointed recently to construct 22 affordable housing units next to Pascoe Vale Station. The project will include ground-floor retail outlets integrated with the station and surrounding businesses, and improved disability access to the station.

Camberwell Station development

In July 2009, the Victorian Civil and Administrative Tribunal (VCAT) issued an interim order for the proposed development of the Camberwell Station Precinct by VicTrack's preferred developer, Tenterfield.

The proposal reviewed by VCAT aims to preserve the heritage station and footbridge and involves three main elements:

- an eight-storey building on the southern part of the site incorporating ground-floor retail and 118 residential units
- a three-storey building on the south-eastern corner of Cookson Street and Burke Road, containing shops at ground level and offices above
- a public plaza linking the two buildings with direct access to Burke Road and stairs and lift access to the railway station platforms below.

Key priorities for VicTrack are to secure improved access, safety and security for station users and to revitalise this section of Burke Road.

Tenterfield is amending aspects of its proposal in response to the design issues raised by VCAT.

Redevelopment of Wodonga's central area

VicTrack is playing a major role in the redevelopment of land in the heart of Wodonga, which will become available on completion of the Wodonga Rail Bypass.

The Property Department and the Wodonga City Council are determining a strategy for releasing the land for development in a manner that improves transport facilities and creates a more vibrant central area.

VicTrack jointly funds Traralgon Masterplan

As part of the Latrobe Transit Cities Project, VicTrack, Latrobe City Council and the Department of Planning and Community Development are jointly funding a masterplan for the Traralgon Station Precinct.

The preliminary masterplan identifies suitable areas for a new bus interchange and an improved station entrance, as well as retail, commercial and residential development opportunities. It is the first time VicTrack has partnered with other agencies in this way.



Commercial Projects Manager, Matthew Thornton and Manager, Commercial Property Development, Andrew Webster at Glen Waverley



Artist's impression of proposed development of Camberwell Station Precinct

Possible aged care facility in Lang Lang

VicTrack has commissioned a masterplan of its land on both sides of the train line, near the former Lang Lang Station. Community consultation will be undertaken to identify priorities for Lang Lang (including the possible creation of a site for an aged care facility), which will be considered in any future development.

New leasing agent gets results

VicTrack has seen a 13 per cent increase in rental income at the end of the first year of Brookfield Multiplex Services acting as managing agent for all metropolitan business leases.

Negotiations completed during the past financial year have included:

- › consolidation of significant lease holdings in Warragul to Gippsland TAFE
- › finalisation of a major lease to John Holland at Spotswood
- › a continued focus on reducing the number of expired leases.

Managing transport project interfaces

One of VicTrack's key roles involves managing the interface of its operations and land use with the growing number of infrastructure projects across the network.

The Rail Business Department provides advice on interfaces and major infrastructure lease outcomes to assist the Department of Transport and to ensure project leasing outcomes can be consolidated on VicTrack plans.

Projects in 2008–09 included:

- › a major change to the interstate lease with the Australian Rail Track Corporation and subsequent projects at Tottenham, Dynon, the North East Line, Albion Broadmeadows and the Portland Line
- › a renegotiation of the Regional Infrastructure Lease with V/Line
- › Connex stabling and extension projects
- › V/Line maintenance projects
- › interfaces to refranchising of the metropolitan network

Looking forward

During 2009–10, VicTrack will review and refine the 27 strategic municipal plans to focus on opportunities for creating transport-oriented projects.

VicTrack will also finalise transactions with VicUrban for the sale of land at Dandenong Station, East Coburg and Spotswood.



Chris Van der Ark, Manager Commercial Projects, Property

Facilitating efficient freight

Through its management of the South Dynon, North Dynon and Creek Siding terminals, VicTrack plays a critical role in providing access and services to support rail freight in Melbourne and across Victoria.

2008-09 highlights

Input provided on *Freight Futures*

VicTrack contributed to the development of the Victorian Government's *Freight Futures* plan for Victoria.

The plan provides for the growth and enhancement of a network of Intermodal Freight Activity Centres throughout Melbourne and regional Victoria to decentralise non-export freight from the Port area and relieve congestion in and around Melbourne.

Freight Futures also provides direction for a number of implementation projects to enhance overall freight development in Victoria in line with population growth.

Further development at Dynon Intermodal Terminal

During 2008-09, VicTrack completed upgrades and cyclic maintenance of key traffic areas within the Dynon Precinct including X-Track and some tracks within the Dynon Intermodal Terminal. These upgrades increased the area's capacity to meet overall traffic growth and increased train storage needs during a time of reduced demand for rural products.

VicTrack also reached an agreement with P&O Trans Australia for joint operation of the Dynon Intermodal Terminal for the next five years.

This agreement guarantees the capacity for growth in track and terminal services for intermodal traffic in the Port precinct, and supports the Victorian Government's objective to increase the amount of freight moved by rail.

Spotswood Depot clean-up

In March 2009, VicTrack appointed a contractor to undertake an environmental clean-up of contaminated soil at the Spotswood Depot.

The clean-up was approved by the Environmental Protection Authority, Victoria (EPA) as a solution to the legacy of past industrial activity and will allow for future development at the site.

Redundant buildings have been demolished and extensive excavation works have begun to make way for a rail freight terminal that will contribute to the movement of freight from road to rail. Environmental remediation works are expected to be completed by early 2010.



Artist's impression of an Intermodal Freight Activity Centre

Sadleirs Transport, who will build the terminal, is a 100 year old company that employs around 50 people in Melbourne's western suburbs.

The company currently operates from a Brooklyn freight depot. However, without a direct connection to interstate railway lines, Sadleirs must move its freight via trucks along major roads such as the Western Ring Road, Melbourne Road, the West Gate Freeway, Francis Street, Whitehall Street and Dynon Road.

The move to Spotswood is expected to reduce Sadleirs' trucks movements on these major roads by approximately 80 per cent.

Looking forward

VicTrack will continue its involvement in the planning of *Freight Futures* initiatives in 2009–10 and is likely to have a key role as infrastructure owner and service provider during implementation and operational phases.

VicTrack will also work closely with the Department of Transport to implement a network of freight activity centres throughout metropolitan Melbourne, as envisaged in *Freight Futures*.

VicTrack will increase track efficiencies in the Dynon Precinct with some gauge conversion to meet market demand. Changes in train control and track management responsibilities will also be a focus, to ensure controls are in place at key operational interfaces.

VicTrack will continue to provide input on planning issues to freight industry groups and forums across the state.





Delivering value to Whole-of-Government

Improving access to telecommunications

VicTrack provides industry leading telecommunications services to a wide range of clients and supports initiatives for broader access to ICT services across Victoria.

2008–09 highlights

Work begins on Intra-Government Secure Network (iGSN)

In 2008–09, VicTrack started work on linking major Government departments in Melbourne's CBD with data centres in metropolitan Melbourne and regional Victoria, as part of the iGSN.

The network will provide high bandwidth data services and support the *Victorian Government's Efficient Government Policy* by facilitating shared ICT services to the Whole-of-Government sector.

The iGSN network is designed to deliver secure, highly resilient and high bandwidth data services. It will enable:

- › consolidation of network infrastructure
- › compliance with the *Whole-of-Government Disaster Recovery Policy*
- › future shared service initiatives
- › exceptional capacity to meet future demand.

Plan for competitive broadband in regional Victoria

As part of the Victorian Government's vision for cost-effective broadband services in regional Victoria, the Department of Innovation, Industry and Regional Development (DIIRD) is proposing to fund new fibre backhaul infrastructure and services.

DIIRD's VicFibreLINKS initiative will provide initial funding for the development of new, open-access fibre backhaul from Bendigo to Mildura, and Geelong to Warrnambool.

VicTrack is working collaboratively with DIIRD to explore access to VicTrack's fibre network, in addition to any new fibre builds.

Providing backhaul services for Basslink Telecoms

VicTrack is delivering high bandwidth backhaul data services to Basslink Telecoms between Traralgon and Melbourne's central business district. Basslink aims to provide competition in the backhaul connectivity market between Tasmania and Melbourne's CBD to enable more competitive access to broadband services for Tasmanians.

Data services for TAC Geelong

VicTrack signed an agreement with the Transport Accident Commission (TAC) in 2008 to provide cost-effective, high bandwidth data services at the TAC's new Geelong facilities.

The organisation has been providing the link since December 2008, which supports TAC's operations through the provision of physical and carrier diversity for data connectivity (voice and application traffic).

Looking forward

From late 2009, VicTrack will operate and manage the iGSN for a range of Victorian Government departments as they progressively link to the network and take up services.

VicTrack will continue to operate Basslink backhaul services and TAC data services in Geelong.

Providing for community facilities

VicTrack actively supports the Victorian Government's policy of converting land no longer required for rail purposes across the state into affordable housing, community facilities and open space.

2008-09 highlights

Land sales make way for public open space

To boost community open space, VicTrack negotiated two major land sales in the last financial year, after they were declared surplus to transport needs.

One of the land sales was to Moira Shire Council for the development of a major formal park and information centre in Cobram and the other was in Albion to the City of Brimbank for use as a children's playground.

More affordable housing for Melbourne

A VicTrack site in Fitzroy and two sites in Sunshine were sold for more than \$1.5 million during 2008 for use as affordable housing, supporting Victorian and Australian Government initiatives.

VicTrack has also agreed to sell the former East Coburg Tram Depot to VicUrban for a mixed-use development including an affordable housing component. It is anticipated this sale will be finalised by late 2009.

Looking forward

VicTrack will continue its strategic program of selling land no longer required for rail purposes during 2009-10.

In particular, sales at Euroa and Swan Hill will be progressed to build on the results already achieved at Cobram and Albion. Likewise, sites at Thornbury, Keon Park, Jacana, Kilmore, Ararat and Wendouree will be considered as potential affordable housing projects over the next 12 months.

VicTrack's overall aim is to rationalise low-value assets and enable reinvestment in higher-value assets to fulfil its own corporate objectives and to support the Victorian Government's vision for a fairer, more socially cohesive community.



Assad Niazmand, Technical Officer, Property

Land sale makes way for new gateway to Cobram

The sale of 1.5 hectares of VicTrack land in Cobram will pave the way for a new entrance to the centre of town, including a major park and other community facilities.

VicTrack negotiated the sale with Moira Shire Council, which purchased a 1.45 hectare parcel of land, located just off the Murray Valley Highway, and a further 616 square metres to create a more direct route into town.

Director Development and Environment at Moira Shire Council, Gary Van Driel, said the sale was very exciting for Cobram and opened the way for redeveloping the main gateway into town and its commercial centre.

"We're thrilled about the prospect of securing and developing the site. The former rail yards literally cut the town in half so this sale solves a longstanding problem and delivers a range of benefits for the whole community," Mr Van Driel said.

The site is expected to provide high quality open space for Cobram residents and the travelling public.

Moira Shire Council is working with a community committee to finalise concept plans for the park, which are likely to include an historical walk, landscaping and planting, water features, car and caravan parking, toilets and possibly a skate park. Future plans also include a tourism information centre and a community arts space.

Community donations supported the first stage of the project, which included demolishing five original houses on the site.

VicTrack Chief Executive, Bob McDonald, said VicTrack was pleased to support the development of Cobram by selling the surplus land.

"This park is an exciting and important project for Cobram that will create a new tourist and community hub," Mr McDonald said. "VicTrack's landholdings often occupy a prime position in Victoria's cities and towns, and where it is not needed for transport purposes we are keen to see the best possible outcomes for local communities."



Moira Shire Council Mayor Cr David McKenzie on former VicTrack land in Cobram
Photo courtesy of Moira Shire Council



Delivering value to the community

Managing environmental challenges

VicTrack rehabilitates, protects and enhances the environments in which it operates. The organisation proactively audits its own assets and cleans up the contamination of the past and also develops new sustainable practices.

2008–09 highlights

Sustainability Strategy developed

VicTrack developed a four-year *Sustainability Strategy and Action Plan* in 2008–09 to minimise the environmental impact of its operations. The strategy focuses on three core areas: reducing office-based carbon emissions; improving the way we do business; and environmental initiatives.

With the support of the Environment Group, a sustainability committee is being formed to lead implementation of the strategy across the organisation over the next four years.

Changing existing practices

VicTrack has implemented a range of sustainable practices in relation to fuelling and managing maintenance facilities. The Environment Group supports a number of Greening Australia initiatives and recently supported environmental works at Dynon, Newport and other sites.

Reducing contamination risks

More than 90 land contamination assessments were completed across VicTrack's portfolio during the past 12 months as part the Proactive Risk Mitigation and Remediation Program. The Environment Group will continue to assess at least 50 sites per year to actively manage VicTrack's land contamination risks, which are due to historical poor management practices.

Clean-up continues at Montague Street

Groundwater management is ongoing at VicTrack's Montague Street site in South Melbourne, following soil remediation works that were completed in late 2008. A clean-up to the extent practicable (CUTEP) report was submitted to the EPA by the environmental auditor and is currently being reviewed.

Environmental project management assistance

VicTrack's Environment Group assisted the VicTrack Property Department, the Department of Innovation, Industry and Regional Development and Major Projects Victoria with environmental investigations and environmental audits at a number of sites including the Camberwell Station and Mildura Riverfront Precinct projects, and the Moreland, Keon Park and the North Williamstown developments.

Asbestos management and V/Line partnership

VicTrack completed asbestos audits of more than 30 buildings across its asset portfolio during the past financial year. A scope of works is being developed for asbestos removal and/or management on a risk basis across Victoria.

- VicTrack is working with the EPA to clean up and manage an area at the back of the old Bendigo Workshops, which is heavily contaminated with asbestos and waste material. A scope of works for remediation design and future management will be developed over the coming financial year.

- › VicTrack has formed a partnership with V/Line to undertake a state-wide asbestos audit program, which is partly funded by the Department of Transport. The program involves surveying building assets and below-ground infrastructure across Victoria that is managed under the Regional Infrastructure Lease. A scope of works will be developed to remove and/or manage asbestos across the state on a risk basis.

Water management activities

VicTrack focused its water conservation efforts at three key sites in 2008-09: South Dynon, Newport and Spotswood.

Major activities included erecting water efficiency signage, installing tanks for water harvesting, installing waterless urinals and upgrading aged underground infrastructure.

Two 34-kilolitre water tanks were installed at the Spotswood Archive to harvest rainwater from its roof. Negotiations are underway to donate surplus water to local schools or community groups.

Looking forward

Over the next 12 months, VicTrack will:

- › focus on proactive risk management programs across the state in land contamination and asbestos removal
- › work with V/Line on the joint state-wide asbestos audit program
- › liaise with the EPA on a number of land contamination projects
- › focus on more sustainability initiatives through the implementation of the *Sustainability Strategy and Action Plan*
- › develop strategies for managing native vegetation on VicTrack land
- › explore new environmental opportunities such as net gain/offset vegetation projects on closed rail corridors and other parcels of land that contain sites of biological significance
- › undertake water management studies of regional sites, looking at water harvesting opportunities and water efficiencies.

Protecting rail heritage

VicTrack is dedicated to preserving Victoria's tram and rail heritage for future generations by supporting a wide range of heritage projects and initiatives.

2008-09 highlights

Fifteen heritage projects completed

VicTrack completed 15 refurbishment projects under its \$1 million Heritage Program in 2008-09.

Overseen by an independent Heritage Panel, some of these projects included: the second stage of works at Maryborough Station to restore building wings, which included slating, rendering, glazing and moulding repairs; exterior restoration and internal fit-out of Werribee Station; and upgrading of the Castlemaine Station island platform, including new toilet facilities, roof repairs and restoration of the refreshment room.

Heritage award for Maryborough Station

VicTrack completed one of the largest heritage restorations in Victoria, at Maryborough Station. Works involved detailed research and craftsmanship to ensure that original materials and treatments were used in the restoration process.



Member for Bendigo West, Bob Cameron MP celebrates heritage upgrades at Castlemaine Station with Castlemaine Primary School students

The Australian Property Institute (Victorian Division) awarded VicTrack the 2008–09 Heritage Award for restoration works at Maryborough.

Stage one of the restoration works took place over two years, focusing on the towers, façade, portico, roof and guttering. Stage two took a further year to complete, with restoration to the remaining sections of the main station building as well as slating, rendering, glazing and moulding repairs.

The total cost of both stages was more than \$1.8 million. The works were undertaken by Period Restoration Services in accordance with Heritage Victoria guidelines, with advice from RBA Architects + Conservation Consultants.

The restoration will complement the Victorian Government's initiative to return passenger rail services to Maryborough by 2010.

Marketing plan for tram museum

VicTrack developed a marketing plan for the future of the tram museum at the Hawthorn Tram Depot, in association with the Friends of Hawthorn Tram Depot.

A museum design agency has been engaged to provide initial advice on how to tell the story of Melbourne's development through its tramways network.

Support for heritage groups

VicTrack provided financial and in-kind support to a number of heritage groups across Victoria in 2008–09. This included:

- › Completing an infrastructure assessment of damages caused by Victoria's recent bushfires for the Yarra Valley Tourist Railway and the Daylesford Spa Country Railway as well as minor works at both locations.
- › Relocating heritage rolling stock from the former Newport Railway Workshops to consolidate heritage operations and to cater for new suburban train stabling and development of the Rail Skills Centre – Victoria.
- › Providing a small amount of funding and written advice to the Victorian Goldfields Railway for its successful Victorian Government submission to provide new toilet facilities, a shop and carriage shed. VicTrack also contributed two 5,000-litre water tanks for the new toilets, two 67,500-litre water tanks for the carriage shed and associated plumbing works.
- › Donating W-class trams and spare parts to tram museum members of the Council of Tramway Museums of Australasia to add to their collections and provide additional tourism services throughout Australia and New Zealand.

- › Renewing the Garden Platform at Newport Railway Workshops to provide an ongoing safe departure point for heritage operations on the site.
- › Replacement of roofing and support structures in part of the west block workshop at Newport Workshops. These works ensure the retention of a key heritage building and provide additional usable space for the heritage rail operators who lease the building.

As a member of the Department of Transport Heritage Operations Committee, VicTrack supports mainline and tourist railways to provide heritage train operations for the ongoing enjoyment of Victorians and visitors.

Looking forward

VicTrack has allocated another \$1 million to the 2009–10 Heritage Program to upgrade and maintain Victoria's rail heritage. The program will include works on the clock tower at Newport Workshops and a range of buildings across the state.

VicTrack will continue its support of heritage groups, assisting with the development of improved facilities and the retention and restoration of heritage rolling stock assets.



Left to right: John Swadling, Head of Office Investments, Dexus Property Group; Bob McDonald, Chief Executive, VicTrack; and Chris Plant, President, Australian Property Institute at 2008 Excellence in Property Awards

Castlemaine facilities upgraded for historic railway

Passengers, staff and volunteers of the Victorian Goldfields Railway are enjoying improved facilities at Castlemaine Station since comprehensive heritage repairs and refurbishments on platform three were completed by VicTrack.

Marketing Coordinator at Victorian Goldfields Railway, Garry Aitchison, said the works –which included replacing a large section of corrugated iron roof over the main platform building, installing much-needed new toilets, repainting and replastering the refreshment room and providing heating, cooling and insulation – have dramatically raised the standard of service to passengers.

"We're absolutely thrilled with the results – for ourselves but particularly for our passengers. Previously we only had one ladies toilet and the men's toilet was very substandard. It was embarrassing for us and inconvenient for our passengers," said Garry.

He said the new facilities were fantastic and opened up opportunities to market the railway more widely. "We feel much more confident about inviting people here for functions and special events now. We can really ramp up that side of the business."

The historic steam railway runs tourist services twice a week from Maldon to Castlemaine. Around 25,000 visitors and locals enjoy the services each year.

Garry said Castlemaine's historic platform three building was much more comfortable and tourists on return visits had really noticed the difference.

Formed in 1976, Victorian Goldfields Railway is a remnant of the branch line railway system which served rural Victoria from around 1880 to the 1970s. It is run by three paid staff and about 80 of more than 400 volunteer members who act as train drivers, engineers, mechanics, ticket sellers and conductors. The three steam trains take passengers through some of the richest gold mining country in Australia.

To complement VicTrack's works, the railway has recently received a Victorian Government grant to upgrade the shop and toilets at Maldon Station and build a shed to maintain historic carriages.



Left to right: Victorian Goldfields Railway President, Paul McDonald and Marketing Co-ordinator, Garry Aitchison at Castlemaine Station

Supporting community partners

VicTrack supports a wide range of community organisations to help make local communities stronger and more resilient.

2008–09 highlights

Landcare helped with fire recovery

VicTrack maintained its long-term commitment to Landcare in 2008–09, with support focused on the restoration of extensive bushland and grassland destroyed by the Black Saturday and other fires.

Funds raised will pay for activities including re-fencing to allow natural vegetation to regenerate, erosion control, replacing lost tools and equipment, providing temporary habitat for native animals and community events.

VicTrack also maintained its financial support for grassland projects in the Werribee and Little River catchments as well as doctoral research into grassland management in Victoria's Northern Plains.

New partnership with Keep Australia Beautiful

In 2008–09, VicTrack launched a pilot partnership program with Keep Australia Beautiful Victoria to support its *Stationeers – Right on Track* program.

Stationeers volunteer their time and skills to beautify station grounds across Victoria with landscaping, murals, painting and other works. They make stations more welcoming places and build community pride in local areas.

VicTrack's initial funding will contribute to the landscaping of Merri Station in Melbourne's inner north as well as other stations on the north-east line.

VicTrack provides missing link for rail trail

VicTrack has a significant portfolio of land and property not currently needed for transport operations and leases these assets to tenants such as local councils, community groups, service and sporting clubs.

In 2008–09, VicTrack leased land in the Rutherglen region to provide the vital 'missing link' to complete the Wahgunyah to Rutherglen section of the Murray to Mountains Rail Trail.

The lease means the final nine kilometres of the trail from Wahgunyah to Rutherglen can now be completed, which will boost tourism and recreational opportunities in the region when it opens in late 2009.

Graffiti management

VicTrack continued its work with the Department of Transport and Connex to support various graffiti management initiatives in 2008–09.

Works included the installation of mesh on railway bridges at Patterson Road in Bentleigh and Bedford Road in Wantirna to deter graffiti vandals. Similar infrastructure installed at Sherbourne Road in Eltham last year proved highly effective.



Tree planting at Dynon Precinct

Outdoor advertising for charities

VicTrack continued its sponsorship of Interchange Victoria, a charity which provides respite care for children and young adults with disabilities.

The charity was given free media space on VicTrack's unsold large-format billboards to advertise its work and appeal for volunteers.

VicTrack also entered into a similar, two-year partnership with Cancer Council Victoria, providing access to unsold slimline billboards to promote its Cancer Council Helpline.

The Helpline operates during business hours from Monday to Friday and is staffed by experienced cancer nurses. Nurses provide reliable, current cancer information, specialised support programs for people affected by cancer, education, and training for health professionals.

Business association receives promotional support

VicTrack helped the South Melbourne Business Association promote Clarendon Street shopping strip using tram pole banners erected in June 2009.

The association originally planned to fund the initiative itself but insurance costs and risk issues proved prohibitive. VicTrack stepped in and funded the banners under a commercial pilot scheme.

Dedicated tram poles were allocated to the association to advertise local campaigns and a media partner was appointed to seek commercial advertising on other poles along Clarendon and Park streets. VicTrack will assess results of the trial and if successful, expand the idea to other tram routes along Melbourne shopping strips.



South Melbourne Business Association Vice-President, Craig Watts on Clarendon Street



Cancer Council Victoria billboard at Dudley Street, Melbourne

Outdoor advertising promotes cancer helpline

A new partnership between VicTrack and Cancer Council Victoria is raising awareness about an information and support service for people affected by cancer.

As part of a two-year partnership, VicTrack is providing Cancer Council Victoria with free media space on its unsold slimline billboards to advertise the Cancer Council Helpline.

Operating for nearly 20 years, the Cancer Council Helpline is staffed by a team of experienced cancer nurses, social workers and clinicians who offer reliable, up-to-date cancer information to people affected by cancer as well as training for health professionals. It is underpinned by a comprehensive database of over 3,000 resources.

Deputy Director of the Council's Cancer Information and Support Service, Dr Amanda Hordern, said the main objective of the outdoor advertising was to increase awareness of the Helpline.

"Our research has shown there is limited awareness of the free information and support we provide, so we hope that over time this kind of support will result in an increase in the number of calls we receive," Dr Hordern said.

To date billboards have been placed at a range of prominent locations across Melbourne including Dudley Street, North Melbourne and Bay Road, Cheltenham. The Council has also leveraged off its partnership with VicTrack to gain access to another two billboard sites in Melbourne and obtained additional print media and radio sponsorship.

Dr Hordern said many callers to the Helpline were saying they had been prompted to call after seeing one of the billboards.

"Once people receive a cancer diagnosis their lives are never the same again, and the need for information and support is paramount. There is considerable evidence that contact with a cancer nurse can help people to cope better with the disease."

Dr Hordern said VicTrack's support was particularly important because charities were often given clear directives about how they could spend donations or grants, which did not include advertising.

"Our partnership with VicTrack is fantastic because it gives us the capacity to market ourselves in a way we could never do otherwise," she said.

The Cancer Council Helpline (13 11 20) is open Monday to Friday, 8.30am to 6pm.



Deputy Director, Cancer Council Victoria Information and Support Service, Dr Amanda Hordern



Improving VicTrack's capability

Developing our people

VicTrack is continually monitoring and developing the skills of its people by putting safety first, improving systems, undertaking performance management and responding to staff feedback.

The Human Resources Group carefully manages the workforce needs and professional development of 196 diverse employees – from signalling and server engineers to environmental scientists.

2008–09 highlights

VicTrack rates well in stakeholder survey

In April 2009 VicTrack surveyed a range of key stakeholders, asking them to rate the organisation's business departments in terms of value, governance and communication.

The survey returned an overall satisfaction score of 74 per cent, with responses indicating strong personal relationships between VicTrack and its stakeholders.

An action plan is being developed to address areas identified for improvement.

Survey reveals positive workplace

Sixty-seven per cent of employees believe VicTrack is a 'truly great place to work', according to the 2009 staff survey.

Representing a seven per cent increase in staff approval on 2008, 42 per cent of employees also reported things had significantly improved in VicTrack over the previous 12 months.

More than 89 per cent of staff responded to the 2009 survey.

Action plans with clear deliverables are being developed around three strategies: service culture, building trust and management skills.

New collective agreement

A new enterprise agreement was negotiated with unions in 2008–09 ensuring clarity around terms and conditions of employment. The new collective agreement will improve workplace productivity and flexibility as well as outline the rights and responsibilities of VicTrack and its employees.

Customer Service Charter

VicTrack released an internal Customer Service Charter in 2008–09, which established consistent customer service standards for all staff. The charter details response times for customer queries and requests, and other requirements to aid service delivery generally.

VicTrack Customer Service Charter

At VicTrack we will:

- › Value our customers
- › Initiate solutions to all customer requests
- › Close out customer enquiries
- › Take the time to fully respond to the query
- › Respond promptly
- › Always have a professional and approachable manner
- › Consistently strive to exceed customer expectations
- › Keep our promises

Other initiatives

VicTrack increased the diversity and flexibility of its workforce in 2008–09 by employing more graduates, women, part-time staff and people from non-English speaking backgrounds.

In response to staff requests, regular forums were also introduced to improve communication between management and staff.

Extensive training and development activities took place during the past financial year, including:

- › customer service training for all staff
- › report writing for technical staff
- › contract management training
- › resilience skills for call centre and Network Operations Centre staff focusing on procedures for handling traumatic situations and how to minimise the impact of these scenarios on their psychological health and safety
- › targeted training for individuals as identified in the annual development plan through the performance management process.

Our people as at June 2009

	Total	Male	Female
All staff	196	154	42
Full time staff	150	119	31
Part time staff	11	4	7
Fixed term temporary staff	32	29	3
Casual staff	3	2	1
By age group			
> under 25 years	2	2	-
> 25-34	40	27	13
> 35-44	53	45	8
> 45-54	68	52	16
> 55-64	33	28	5
> Over 64	-	-	-

Looking forward

In 2009-10, VicTrack will continue to undertake and refine its annual stakeholder audit as well as implement an online learning and e-recruitment system.

There will also be a greater focus on how to monitor and measure customer service standards as a basis for continuous improvement. In parallel, VicTrack will develop a broader set of customer-related measures for its specific services to the public transport sector, other stakeholders and the community.

Encouraging health and wellbeing

VicTrack has a number of programs in place to support the physical and emotional health of its employees.

2008-09 highlights

VicTrack established a formal Employee Assistance Program in 2008-09 to provide confidential, professional counselling to its employees and their immediate families.

The agency's Health and Wellbeing Program was also expanded during the year to include a number of educational and health-related initiatives, including:

- › a quit smoking program
- › health and fitness assessments and monitoring
- › a health and wellbeing expo.

VicTrack continues to align its health and safety management system with Australian Standard AS 4801.



Blanche Thompson, Finance and Administration Officer, Business Services



Chief Executive Bob McDonald serves lunch at a healthy cooking demonstration for staff

Improving corporate capacity

2008–09 highlights

Financial management

Over the past year VicTrack has continued to recruit skilled personnel, particularly in the area of financial management, to complement its skill base. This has facilitated improvements in financial management, reporting and more proactive debt management.

During the year, VicTrack determined its requirements for a new financial management system and selected a preferred provider. Implementation is scheduled for December 2009.

The new financial management system is expected to:

- › provide more timely financial and management information with drill-down capability
- › include an e-purchasing module
- › provide improvements in debtor reporting to facilitate more prompt debt collection
- › deliver efficiencies through automated processing of cash management.

Knowledge management

In 2008–09, VicTrack enhanced its record management capabilities by adopting phase one of a new Electronic Document and Records Management System.

The organisation also developed a number of new intranet business portals to support its new project management framework and to increase access to health and safety information. A new Records Management Policy was developed to facilitate improved information management storage, access and retrieval.

During the year an Enterprise Classification Scheme was developed, establishing new file naming conventions and documentation standards for VicTrack.

In addition, work started with the Public Record Office of Victoria to develop new retention and disposal schedules for VicTrack's heritage material. Improvements were also made to business processes supporting secondary records and archives storage facilities and a number of major projects were completed for classification, sentencing and disposal of administrative records

The knowledge management and information technology functions at VicTrack continue to be overseen by the Knowledge Management and Technology Steering Committee, made up of senior representatives from all departments.

Information technology

In line with other business units, the Information Technology (IT) Group achieved significant customer service improvements in 2008–09 following the implementation of an IT service management system with enhanced reporting.

The IT Group worked with a number of key stakeholders to develop a change management process across VicTrack with a cross-organisational representation on the Change Advisory Board.

A three-year IT Strategic Plan was developed, in line with the business strategy and Corporate Plan. This strategy defines the enterprise application architecture, systems and infrastructure roadmap for the organisation.

The IT Group also improved its service offering to the Department of Transport by managing the storage of the Department's CCTV data.

VicTrack IT achieved significant performance and environmental improvements during the year by consolidating its server infrastructure. Eighty physical servers were consolidated into virtual servers running on only 10 physical devices.

It also built disaster recovery capability to protect the business continuity of ICT systems. This was successfully tested by running VicTrack ICT systems from the secondary data centre for two full business days.

ICT business systems across the organisation were also upgraded.



Tony Elkhoury, Service Desk Support, Business Services



PART 3: 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 because this is in the best interests of VicTrack, the Victorian Government, the Victorian public and other stakeholders. In order to achieve this, VicTrack has developed corporate governance policies and structures having regard to applicable statutory requirements and relevant best practice recommendations.

Board role and responsibilities

The VicTrack Board of Directors is responsible for the 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.

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

- › 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 with responsibility 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 composition

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

The Board's size and composition enables it to make decisions in an expedient manner with input from Directors with a variety of skills, experience and perspectives.

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.

Board meetings

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

Before Board meetings, a comprehensive set of Board papers (that are complete and sufficient to enable sound decision-making on issues under consideration at the meeting), is provided to Directors. In addition to the papers, members of the executive management and other members of management present to the Board as necessary.

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. This policy is reviewed annually by the Board.

Board committees

Two standing committees and an advisory panel assisted the Board in performing its role during the year. These are the Audit and Risk Management Committee, the Human Resources Committee (formerly the Remuneration Committee) and the Heritage Advisory Panel.

Each is chaired by a Director other than the Board Chair, has a formal charter setting out its roles and responsibilities and reviews its performance annually.

The charters are reviewed annually to ensure that they are appropriate to the effective functioning of the committees and panel 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. 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's charter requires that all members are financially literate and that at least one member has appropriate expertise in financial accounting or auditing.

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.



Left to right: Vesna Damjanovic, Sue Lowther, Assad Niazmand and Andrew Mills, Third Party Access and Licensing Group, Property

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 for reviewing and monitoring VicTrack's remuneration policies and procedures. This includes ensuring compliance with government policies and guidelines.

Heritage Advisory Panel

The Heritage Advisory Panel advises the Board 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

During 2008–09, there were 11 Board meetings, six Audit and Risk Committee meetings and four Human Resources Committee meetings. Attendance at these meetings is set out in the following table:

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

* Sam Andersen is a member of the Audit and Risk Management Committee only and she was not required to attend two of these meetings.



Corporate Plan

VicTrack is required, under the *Rail Corporations Act 1996* and the *State Owned Enterprises Act 1992*, to prepare a Corporate Plan for Ministerial approval. The purpose of the plan is to establish the framework for business strategies and performance monitoring, to be agreed between the Board 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, no directions were given to the VicTrack Board by the Treasurer or the Minister for Public Transport.

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.

An internal audit program, developed with regard to the risks identified through the enterprise risk management process, is carried out each year.

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 (VGRF).

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



Elana Rubin
Chair
Victorian Rail Track (VicTrack)

25 August 2009



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 2008–09, VicTrack commissioned 61 consultancies individually valued at less than \$100,000, at a total cost of \$799,582. The majority of the consultancies supported transport-related property initiatives and the remediation of contaminated land and buildings. One consultancy was also commissioned in excess of \$100,000. Ericsson Australia Pty Ltd was engaged as a technical specialist to perform a technical review and optimisation plan for the VicTrack data network at a cost of \$127,600.

Compliance with 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 to meet these requirements and relevant guidelines.

Freedom of Information

VicTrack received five Freedom of Information (FOI) requests during the 2008–09 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 \$23.40 are considered valid.

Requests should be submitted to:

The Freedom of Information Officer
VicTrack
GPO Box 1681
Melbourne Victoria 3001

Availability of information

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

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- (b) details of publications produced by VicTrack about the activities of VicTrack and where they can be obtained;
- (c) details of any other research and development activities undertaken by VicTrack that are not otherwise covered in this Report;
- (d) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- (e) details of assessments and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in this report; and
- (f) a general statement on industrial relations within VicTrack and details of time lost through industrial accidents and disputes.

The information is available on request from:

The Company Secretary
VicTrack
GPO Box 1681
Melbourne Victoria 3001

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.

Whistleblowers Protection Act 2001

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

- a. To encourage and facilitate disclosures of improper conduct by public officers and public bodies
- b. To provide protection for:
 - i. persons who make those disclosures
 - ii. persons who may suffer reprisals in relation to those disclosures
- c. 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 established under Part 6 of the Act. 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.

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

Financial performance

The Parent Entity VicTrack recorded an operating profit for the 2008-09 financial year. The net cash flow from operating activities, after excluding Victorian Government receipts for capital and related works, was \$12.6m, generally reflecting the constrained ability of the entity to generate cash flows.

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.

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

Note: The 2006-07 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.

Financial summary VicTrack	2009 \$m	2008 \$m	2007 \$m	2006 \$m	2005 \$m
Total revenue	223.1	165.3	237.5	168.0	119.0
Total operating expenditure	(52.4)	(57.5)	(47.1)	(38.8)	(44.6)
Net profit/(loss) before income tax & depreciation	170.7	107.8	190.4	129.2	74.4
Depreciation charge	(141.5)	(129.4)	(118.3)	(100.7)	(85.5)
Net cash inflow from operating activities	90.2	42.5	148.3	56.3	17.4
Total assets	6,909.7	6,367.4	5,708.7	5,342.0	5,053.9
Total liabilities	(269.4)	(252.9)	(250.3)	(217.0)	(209.7)
Net assets	6,640.3	6,114.5	5,458.4	5,125.0	4,844.3
Total staff	196	164	145	123	108



Consolidated Entity

The Consolidated Entity reports a profit before the application of income tax and depreciation charges which then returns an overall accounting loss. The loss reported by the Consolidated Entity is a result of the inclusion of the Rolling Stock Holdings entity (an entity controlled by VicTrack), which is the owner of the State's rolling stock infrastructure assets. These assets are leased to the Director of Public Transport and subsequently sub-leased to rail operators and access providers. While these transactions 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 increased loss in the 2008–09 financial year is mainly attributable to exercising a call option for rolling stock in June 2009. This transaction brought to account 119 rolling stock units and the depreciation applicable to those units since they were put into operation.

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

Financial summary Consolidated Entity	2009 \$m	2008 \$m	2007 \$m	2006 \$m	2005 \$m
Total revenue	432.2	328.6	402.1	317.4	257.1
Total operating expenditure	(220.4)	(155.0)	(148.7)	(141.5)	(139.2)
Net profit/(loss) before income tax & depreciation	211.8	173.6	253.4	175.9	117.9
Depreciation charge	(258.2)	(216.4)	(202.1)	(179.2)	(155.0)
Net cash inflow from operating activities	540.3	181.9	174.6	49.9	5.6
Total assets	8,726.2	7,811.7	7,169.6	6,834.0	6,583.4
Total liabilities	(1,397.2)	(1,339.4)	(1,415.0)	(1,443.2)	(1,467.7)
Net assets	7,329.0	6,472.3	5,754.6	5,390.8	5,115.7
Total staff	196	164	145	123	108

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



Independent auditor's report

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board, Victorian Rail Track

The Financial Report

The accompanying financial report for the year ended 30 June 2009 of Victorian Rail Track which comprises the operating statement, balance sheet, statement of changes in recognised income and expense, 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 Members of the Board's Responsibility for the Financial Report

The Members of the Board of the Victorian Rail Track are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the 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 the 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 the 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 Members of the Board, as well as evaluating the overall presentation of the financial report.

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

VAGO

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 the Victorian Rail Track for the year ended 30 June 2009. The Members of the Board of the Victorian Rail Track are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. 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 website.

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 as at 30 June 2009 and its 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
17 August 2009


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 Recognised Income and Expense, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2009 and the financial position of Victorian Rail Track as at 30 June 2009.

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

13 August 2009



Bob McDonald
FCPA
Chief Executive

13 August 2009



Cynthia Lahiff
CPA
General Manager, Business Services

13 August 2009

Operating Statement

For the financial year ended 30 June 2009

		Consolidated		Parent	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue from ordinary activities:					
Customers					
Telecommunications services		29,339	26,583	29,339	26,583
Property related income		31,681	28,842	31,681	28,842
Leasehold improvements/renewals received		77,948	57,121	77,948	57,121
Government contributions towards capital and related works		251,759	169,457	71,978	35,455
Other revenue	2	41,505	46,569	12,175	17,345
		432,232	328,572	223,121	165,346
Capital assets charge		959,036	893,777	959,036	893,777
Total revenue		1,391,268	1,222,349	1,182,157	1,059,123
Expenses from ordinary activities:					
Employee benefits	3	18,757	16,209	18,757	16,209
Depreciation and amortisation	4	258,248	216,420	141,562	129,363
Interest expense		166,390	97,279	-	
Capital assets charge		959,036	893,777	959,036	893,777
Supplies and services	5	25,612	35,738	25,612	35,738
Other operating expenses	6	9,619	5,696	8,014	5,633
Total expenses		1,437,662	1,265,119	1,152,981	1,080,720
Profit/(loss) from ordinary activities before income tax expense		(46,394)	(42,770)	29,176	(21,597)
Tax equivalent (expense)/benefit		14,548	13,368	(8,104)	7,014
Net profit for the reporting period		(31,846)	(29,402)	21,072	(14,583)

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

Balance Sheet

As at 30 June 2009

		Consolidated		Parent	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets					
Cash assets		4,457	7,020	2,962	5,690
Other financial assets	7	21,969	24,250	21,969	24,250
Receivables	8(a)	29,839	27,094	156,463	153,824
Inventory	9	25	25	25	25
Prepayments		2,064	1,915	2,064	1,915
Total current assets		58,354	60,304	183,483	185,704
Non-current assets					
Other financial assets	7	100	100	-	-
Receivables	8(a)	50	50	50	50
Property, infrastructure, plant and equipment	10	8,604,273	7,687,822	6,726,167	6,181,665
Intangible assets		63,417	63,417	-	-
Total non-current assets		8,667,840	7,751,389	6,726,217	6,181,715
Total assets		8,726,194	7,811,693	6,909,700	6,367,419
Current liabilities					
Payables	8(b)	31,567	27,884	30,318	26,630
Employee benefits	11	7,026	6,361	7,026	6,361
Environmental remediation		3,928	-	3,928	-
Interest bearing liabilities	12	67,389	77,876	622	577
Total current liabilities		109,910	112,121	41,894	33,568
Non-current liabilities					
Employee benefits	11	179	210	179	210
Interest bearing liabilities	12	1,119,805	1,045,194	295	235
Deferred tax liability	15	167,318	181,866	227,005	218,901
Total non-current liabilities		1,287,302	1,227,270	227,479	219,346
Total liabilities		1,397,212	1,339,391	269,373	252,914
Net assets		7,328,982	6,472,302	6,640,327	6,114,505
Equity					
Contributed equity	13(a)	5,838,022	5,026,990	5,307,600	4,880,344
Reserves	13(b)	1,084,811	1,007,317	1,084,811	1,007,317
Retained profits	13(c)	406,149	437,995	247,916	226,844
Total equity		7,328,982	6,472,302	6,640,327	6,114,505

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

Statement of Changes in Recognised Income and Expense

For the financial year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Total equity at beginning of financial year		6,472,302	5,754,575	6,114,505	5,458,396
Movement in contributed capital for the financial year	13(a)	811,032	368,779	427,256	292,342
Net contributed capital recognised directly in equity		811,032	368,779	427,256	292,342
Gain/(loss) on revaluation of assets	13(b)	77,494	378,350	77,494	378,350
Net income recognised directly in equity		77,494	378,350	77,494	378,350
Net profit/(loss) for the reporting period	13(c)	(31,846)	(29,402)	21,072	(14,583)
Net recognised income and expense for the period		(31,846)	(29,402)	21,072	(14,583)
Total equity at end of financial year		7,328,982	6,472,302	6,640,327	6,114,505

The Statement of Changes in Recognised Income and Expense should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the financial year ended 30 June 2009

		Consolidated		Parent	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		257,841	231,170	77,201	67,943
Interest received		1,951	3,019	1,893	2,936
Receipts from Victorian Government for:					
- capital assets charge (*)		959,036	893,777	959,036	893,777
- capital and related works (inclusive of GST) and termination payments **		459,733	108,849	77,480	32,413
		1,678,561	1,236,815	1,115,610	997,069
Payments to:					
Suppliers (inclusive of GST) and employees		(84,450)	(60,822)	(66,414)	(60,751)
Borrowing costs paid		(94,804)	(100,303)	-	-
Capital assets charge (*)		(959,036)	(893,777)	(959,036)	(893,777)
		(1,138,290)	(1,054,902)	(1,025,450)	(954,528)
Net cash inflow from operating activities	14	540,271	181,913	90,160	42,541
Cash flows from investing activities					
Proceeds/(payments) for:					
Investments		2,281	19,900	2,281	19,900
Acquisition of property, plant and equipment		(481,698)	(139,190)	(99,445)	(62,755)
Sale of property, plant and equipment		4,276	3,643	4,276	3,643
Net cash (outflow) from investing activities		(475,141)	(115,647)	(92,888)	(39,212)
Cash flows from financing activities					
Proceeds/(payments) for:					
Borrowings **		(67,693)	(62,821)	-	-
Net cash inflow/(outflow) from financing activities		(67,693)	(62,821)	-	-
Net increase/(decrease) in cash held		(2,563)	3,445	(2,728)	3,329
Cash at the beginning of the financial year		7,020	3,575	5,690	2,361
Cash at the end of the financial year		4,457	7,020	2,962	5,690

(*) 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 receipt of capital and related work and proceeds for borrowings do not constitute cash transactions to the parent.

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

Notes to and forming part of the 2009 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 2009 and the comparative information presented in the financial statements for the year ended 30 June 2008. 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 1 (y).

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 2009 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 2009:

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.

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 2009 was authorised for issue in accordance with a resolution of the Directors on 13 August 2009.

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.

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 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.

Notes to and forming part of the 2009 Financial Statements - *continued...*

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 2008-09, 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; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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 2009, in accordance with the Victorian Government's Department of Treasury and Finance's Financial Reporting Direction 103D, 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 103D. It is the intention of the Consolidated Entity to value all assets at fair value for the reporting period ending 30 June 2010 in accordance with Financial Reporting Direction 103D.

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 Financial Reporting Direction 103D. This revaluation process has applied the Valuer General's land indices to the 2008 land values. The result of the movement in fair value of land has been determined to be not materially different from the carrying value and therefore a revaluation has not been made.

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 ie. 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.

Notes to and forming part of the 2009 Financial Statements - *continued...*

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. These leasehold improvements have been recognised at cost.

Rolling stock

The Consolidated Entity has entered into contracts for the supply and manufacture of new passenger trains. As at 30 June 2009, \$385.7 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 \$831.5 million as at 30 June 2009.

The Consolidated Entity's works in progress include 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.

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. As at 30 June 2009, 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 2007-08 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. In accordance with AASB119, the liability for annual leave, as a present entitlement of employees', is classified as a current liability.

(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 based on Reserve Bank of Australia – indicative mid rates of selected Commonwealth securities – Treasury fixed coupon bonds. 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 respect to the 2008–09 or 2007–08 financial years.

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 2009.

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 2008–09 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 effect 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 1(h), 1 (i), 1 (j), 1 (q), 1 (s) and 22.

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.

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 (including V/Line Passenger) to cover the Consolidated Entity's contractual commitments.

Notes to and forming part of the 2009 Financial Statements - *continued...*

ab) New Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the annual reporting period ended 30 June 2009. These are outlined in the table below:

Reference	Title	Summary	Applicable for annual reporting periods beginning or ending on	Application date for Consolidated Entity	Impact on financial statements
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	Beginning 1 January 2009	Beginning 1 July 2009	Impact is expected to be insignificant.
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with qualifying assets be capitalised.	Beginning 1 January 2009	Beginning 1 July 2009	Impact is being evaluated.
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassification of items in the financial statements and changes in the presentation of note disclosures.	Beginning 1 January 2009	Beginning 1 July 2009	Impact is being evaluated.
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	Introduces an exception to the definition of financial liability to classify as equity instruments certain puttable financial instruments and certain instruments that impose on an entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation of the entity.	Beginning 1 January 2009	Beginning 1 July 2009	Not applicable to not-for-profit entities.
AASB 2008-3	Amendments to Australian Accounting Standards arising from revised AASB 3 and amended AASB 127	This standard gives effect to consequential changes arising from revised AASB 3 and amended AASB 127 affecting AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and interpretations 9 & 107. The prefaces to those standards summarise the main requirements of those standards.	Beginning 1 January 2009	Beginning 1 July 2009	Impact is expected to be insignificant.

Reference	Title	Summary	Applicable for annual reporting periods beginning or ending on	Application date for Consolidated Entity	Impact on financial statements
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non urgent, but necessary, amendments to IFRS. Some amendments result in accounting changes for presentation, recognition and measurement purposes.	Beginning 1 January 2009	Beginning 1 July 2009	Impact is being evaluated.
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The amendments require all the assets and liabilities of a for-sale subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	Beginning 1 July 2009	Beginning 1 July 2009	Impact is expected to be insignificant.
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate.	Beginning 1 January 2009	Beginning 1 July 2009	Impact is expected to be insignificant.
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged item	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when; (i) a one-sided risk in a hedged item; and (ii) inflation in a financial hedged item, existed or was likely to exist.	Beginning 1 July 2009	Beginning 1 July 2009	Impact is expected to be insignificant.
AASB 1049 and AASB 2008-9	Amendments to Whole of Government and General Government Sector Financial Reporting for consistency with AASB 101	Amendments to AASB 1049 for consistency with AASB 101 presentation formats.	Beginning 1 January 2009	Beginning 1 July 2009	Impact is being evaluated.

These Australian Accounting Standards and Interpretations have no impact on the financial statements of the Consolidated Entity for the year ended 30 June 2009.

Notes to and forming part of the 2009 Financial Statements - *continued...*

Note 2 – Other revenue

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest received		1,865	2,950	1,865	2,950
Proceeds from sale of assets		947	1,091	947	1,091
Lease of the interstate rail corridors		(600)	3,173	(600)	3,173
Rolling stock lease revenue		29,330	29,224	-	-
Other		9,963	10,131	9,963	10,131
Total other revenue		41,505	46,569	12,175	17,345

Note 3 – Employee benefits

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Salaries and wages		14,316	12,641	14,316	12,641
Associated labour costs:					
On-costs		1,731	1,442	1,731	1,442
Superannuation contributions		1,448	1,136	1,448	1,136
Sub-total associated labour costs		3,179	2,578	3,179	2,578
Increase in provision for employee entitlements		1,000	297	1,000	297
Termination payments		262	693	262	693
Total employee benefits		18,757	16,209	18,757	16,209

Note 4 – Depreciation and amortisation

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Buildings and structures		27,181	25,643	27,181	25,643
Track		58,226	52,472	58,226	52,472
Signals and communications		46,516	41,539	46,516	41,539
Plant and equipment		126,325	96,766	9,639	9,709
Total depreciation and amortisation		258,248	216,420	141,562	129,363

Note 5 – Supplies and services

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Property services (including land tax)		4,228	9,819	4,228	9,819
Telecommunications expenses		10,452	12,307	10,452	12,307
Contract payments		7,465	8,099	7,465	8,099
Other		3,467	5,513	3,467	5,513
Total supplies and services		25,612	35,738	25,612	35,738

Note 6 – Other operating expenses

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Increase/(Decrease) in provision for doubtful debts		1	(76)	1	(76)
Bad debts		-	124	-	124
Insurance premiums		500	501	500	501
Legal fees		589	433	589	433
Occupancy costs		1,277	920	1,277	920
Other expenses		7,252	3,794	5,647	3,731
Total other operating expenses		9,619	5,696	8,014	5,633

Notes to and forming part of the 2009 Financial Statements - *continued...*

Note 7 – Other financial assets

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Funds on deposit – at fair value		100	100	-	-
Investments – Treasury Corporation of Victoria		21,969	24,250	21,969	24,250
Other financial assets		22,069	24,350	21,969	24,250
Reported as:					
Current					
Funds on deposit – at fair value		-	-	-	-
Investments – Treasury Corporation of Victoria		21,969	24,250	21,969	24,250
		21,969	24,250	21,969	24,250
Non-current					
Funds on deposit – at fair value		100	100	-	-
Investments – Treasury Corporation of Victoria		-	-	-	-
		100	100	-	-
Total other financial assets		22,069	24,350	21,969	24,250

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.

Note 8 (a) – Receivables

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Receivables		30,126	27,380	156,750	154,110
Less provision for doubtful debts		(237)	(236)	(237)	(236)
Receivables		29,889	27,144	156,513	153,874
Reported as:					
Current					
Receivables		30,076	27,330	156,700	154,060
Less provision for doubtful debts		(237)	(236)	(237)	(236)
		29,839	27,094	156,463	153,824
Non-current					
Receivables		50	50	50	50
Less provision for doubtful debts		-	-	-	-
		50	50	50	50
Total receivables		29,889	27,144	156,513	153,874

Note 8 (b) – Payables

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Payables		31,567	27,884	30,318	26,630
Total payables		31,567	27,884	30,318	26,630

Note 9 – Inventory

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
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.

Notes to and forming part of the 2009 Financial Statements - *continued...*

Note 10 – Property, infrastructure, plant and equipment

Purpose Group – Transportation and Communications		Consolidated		Parent	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Land					
Rail corridor land – at indexed valuation – 30 June 2008		-	1,128,961	-	1,128,961
Rail corridor land – at indexed valuation – 30 June 2009		1,176,806	-	1,176,806	-
Non-rail corridor land – at indexed valuation – 30 June 2008		-	945,312	-	945,312
Non-rail corridor land – at indexed valuation – 30 June 2009		976,743	-	976,743	-
Land		2,153,549	2,074,273	2,153,549	2,074,273
Buildings and structures					
Allocation statement valuation		803,426	799,448	803,426	799,448
Accumulated depreciation		(194,877)	(179,626)	(194,877)	(179,626)
		608,549	619,822	608,549	619,822
Leasehold improvements/renewals		227,981	155,677	227,981	155,677
Accumulated depreciation		(27,092)	(20,715)	(27,092)	(20,715)
		200,889	134,962	200,889	134,962
Cost		82,598	76,505	82,598	76,505
Accumulated depreciation		(10,004)	(8,003)	(10,004)	(8,003)
		72,594	68,502	72,594	68,502
Buildings and structures after depreciation		882,032	823,286	882,032	823,286
Track					
Allocation statement valuation		871,074	848,632	871,074	848,632
Accumulated depreciation		(229,544)	(201,659)	(229,544)	(201,659)
		641,530	646,973	641,530	646,973
Leasehold improvements/renewals		1,069,175	872,762	1,069,175	872,762
Accumulated depreciation		(124,820)	(94,179)	(124,820)	(94,179)
		944,355	778,583	944,355	778,583
Cost		175,621	180,732	175,621	180,732
Accumulated depreciation		(42,688)	(38,265)	(42,688)	(38,265)
		132,933	142,467	132,933	142,467
Track after depreciation		1,718,818	1,568,023	1,718,818	1,568,023

Note 10 – Property, infrastructure, plant and equipment - *continued...*

		Consolidated		Parent	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Signals and communications					
Allocation statement valuation		376,860	376,166	376,860	376,166
Accumulated depreciation		(116,982)	(108,892)	(116,982)	(108,892)
		259,878	267,274	259,878	267,274
Leasehold improvements/renewals		545,754	438,700	545,754	438,700
Accumulated depreciation		(91,210)	(65,021)	(91,210)	(65,021)
		454,544	373,679	454,544	373,679
Cost		176,679	151,163	176,679	151,163
Accumulated depreciation		(35,879)	(27,029)	(35,879)	(27,029)
		140,800	124,134	140,800	124,134
Signals and communications after depreciation		855,222	765,087	855,222	765,087
Plant and equipment					
Allocation statement valuation		897,347	840,417	-	-
Accumulated depreciation		(264,555)	(205,069)	-	-
		632,792	635,348	-	-
Leasehold improvements/renewals		4,869	4,469	4,869	4,469
Accumulated depreciation		(2,273)	(1,614)	(2,273)	(1,614)
		2,596	2,855	2,596	2,855
Finance leases at cost		1,014,096	907,715	-	-
Accumulated amortisation		(182,632)	(125,431)	-	-
		831,464	782,284	-	-
Cost		117,361	113,666	117,361	113,666
Accumulated depreciation		(46,491)	(38,146)	(46,491)	(38,146)
		70,870	75,520	70,870	75,520
Plant and equipment after depreciation		1,537,722	1,496,007	73,466	78,375
Capital works in progress					
Leasehold improvements/renewals		906,249	798,531	906,249	798,531
Rolling stock under construction		413,850	88,525	-	-
Other		136,831	74,090	136,831	74,090
Capital works in progress		1,456,930	961,146	1,043,080	872,621
Total property, infrastructure, plant and equipment		8,604,273	7,687,822	6,726,167	6,181,665

Notes to and forming part of the 2009 Financial Statements - *continued...*Note 10 – Property, infrastructure, plant and equipment - *continued...*

2009 Consolidated	Land \$'000	Buildings & structures \$'000	Track \$'000	Signals & comms. \$'000	Plant & equipment \$'000	W.I.P. \$'000	Total \$'000
Carrying amount at start of financial year	2,074,273	823,286	1,568,023	765,087	1,496,007	961,146	7,687,822
Additions (*)	739	89,446	197,977	141,533	168,651	498,254	1,096,600
Disposals	(2,885)	-	-	-	(457)	-	(3,342)
Net revaluation increments/decrements	77,494	-	-	-	-	-	77,494
Other adjustments	3,928	(3,519)	11,044	(4,882)	(154)	(2,470)	3,947
Depreciation expense	-	(27,181)	(58,226)	(46,516)	(126,325)	-	(258,248)
Carrying amount at the end of the financial year	2,153,549	882,032	1,718,818	855,222	1,537,722	1,456,930	8,604,273

2009
Parent

Carrying amount at start of financial year	2,074,273	823,286	1,568,023	765,087	78,375	872,621	6,181,665
Additions (*)	739	89,446	197,977	141,533	5,341	172,929	607,965
Disposals	(2,885)	-	-	-	(457)	-	(3,342)
Net revaluation increments/decrements	77,494	-	-	-	-	-	77,494
Other adjustments	3,928	(3,519)	11,044	(4,882)	(154)	(2,470)	3,947
Depreciation expense	-	(27,181)	(58,226)	(46,516)	(9,639)	-	(141,562)
Carrying amount at end of financial year	2,153,549	882,032	1,718,818	855,222	73,466	1,043,080	6,726,167

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

Note 11 – Employee Benefits

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Long service leave		4,473	3,891	4,473	3,891
Annual leave		2,211	2,054	2,211	2,054
Other		521	626	521	626
Employee benefits		7,205	6,571	7,205	6,571
Reported as:					
Current					
Long service leave *		4,294	3,750	4,294	3,750
Annual leave		2,211	2,054	2,211	2,054
Other		521	557	521	557
		7,026	6,361	7,026	6,361
Non-current					
Long service leave		179	141	179	141
Annual leave		-	-	-	-
Other		-	69	-	69
		179	210	179	210
Total employee benefits		7,205	6,571	7,205	6,571

* Expected long service leave payment in the next 12 months is \$307,000 and \$3,987,000 to be paid beyond the next 12 months.

Notes to and forming part of the 2009 Financial Statements - *continued...*

Note 12 – Interest bearing liabilities

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Secured loan		368,808	388,854	-	-
Lease liability		818,386	734,216	917	812
Interest bearing liabilities		1,187,194	1,123,070	917	812
Reported as:					
Current					
Secured loan		27,656	27,031	-	-
Lease liability		39,733	50,845	622	577
		67,389	77,876	622	577
Non-current					
Secured loan		341,152	361,823	-	-
Lease liability		778,653	683,371	295	235
		1,119,805	1,045,194	295	235
Total interest bearing liabilities		1,187,194	1,123,070	917	812

Note 13 – Equity and movements in equity – consolidated entity

(a) Contributed capital

	Capital 1 July 2008 \$'000	Capital returned \$'000	Additional capital \$'000	Capital 30 June 2009 \$'000
Assets				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,645	(600)	-	1,054,045
Buildings and structures	867,061	-	4,009	871,070
Track	1,422,278	-	-	1,422,278
Signals and communications	646,621	-	6,397	653,018
Plant and equipment	118,603	-	-	118,603
Works in progress/other assets	921,821	-	801,226	1,723,047
Total assets	5,033,949	(600)	811,632	5,844,981
Liabilities				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	(6,959)	-	-	(6,959)
Contributed capital at the end of the financial year	5,026,990	(600)	811,632	5,838,022

(b) Asset revaluation reserve

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Asset revaluation reserve at the start of the financial year	1,007,317	628,967	1,007,317	628,967
Land revaluation	77,494	378,350	77,494	378,350
Asset revaluation reserve at the end of the financial year	1,084,811	1,007,317	1,084,811	1,007,317

(c) Accumulated surplus

Accumulated surplus at the start of the financial year	437,995	467,397	226,844	241,427
Net profit/(loss) for the reporting period	(31,846)	(29,402)	21,072	(14,583)
Accumulated surplus at the end of the financial year	406,149	437,995	247,916	226,844

Notes to and forming part of the 2009 Financial Statements - *continued...*

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 Consolidated 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net profit/(loss) for the reporting period	(31,846)	(29,402)	21,072	(14,583)
Depreciation/amortisation	258,248	216,421	141,562	129,363
Increase/(decrease) in provisions	4,561	56	4,561	56
Decrease/(increase) in receivables	(2,739)	(14,465)	(2,641)	(14,465)
Decrease/(increase) in prepayments	(152)	657	(152)	657
Receipts recognised as contributed capital	411,749	76,436	-	-
Assets received under lease agreements	(77,948)	(57,121)	(77,948)	(57,121)
Fair value adjustments	(2,622)	(2,908)	-	-
Increase/(decrease) in payables	(17,446)	(5,948)	5,240	447
Loss/(profit) on sale of assets	(1,534)	(1,813)	(1,534)	(1,813)
Net cash inflow from operating activities	540,271	181,913	90,160	42,541

Note 15 – National Tax Equivalent Regime

Current income tax	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Income statement				
Current income tax (expense)/benefit	12,073	27,734	[895]	15,855
Deferred income tax	2,475	[14,366]	[7,209]	[8,841]
Income tax (expense)/benefit reported in income statement	14,548	13,368	[8,104]	7,014
Income tax reconciliation				
Accounting profit/(loss) before tax	[46,394]	[42,770]	29,176	[21,597]
At company tax rate of 30%	13,919	12,830	[8,753]	6,479
Non-allowable items	629	538	649	535
Income tax (expense)/benefit	14,548	13,368	[8,104]	7,014
	Balance Sheet		Income Statement	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deferred income tax				
Consolidated				
Deferred tax liabilities				
Accelerated depreciation	[274,783]	[265,977]	[8,806]	[9,025]
Finance lease asset	[249,713]	[234,919]	[14,794]	9,312
Fair value on loan	[54]	[65]	11	4
Interest receivable	[2]	[10]	8	[4]
	[524,552]	[500,971]	[23,581]	287
Deferred tax assets				
Fair value on loan	3,975	4,766	[791]	[877]
Finance lease liability	245,516	220,266	25,250	[13,956]
Losses available for offset	102,789	90,716	-	-
Prepaid revenue	2,473	1,066	1,407	185
Accrued leave	2,161	1,971	190	17
Doubtful debts	71	71	-	[22]
Stock obsolescence	249	249	-	-
	357,234	319,105	26,056	[14,653]
Net deferred tax asset/(liability)	[167,318]	[181,866]		
Deferred tax expense			2,475	[14,366]

Notes to and forming part of the 2009 Financial Statements - *continued...*Note 15 – National Tax Equivalent Regime – *continued...*

	Balance Sheet		Income Statement	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Parent				
Deferred tax liabilities				
Accelerated depreciation	(274,783)	(265,977)	(8,806)	(9,025)
Finance lease asset	(273)	(233)	(40)	(32)
Interest receivable	(2)	(10)	8	(4)
	(275,058)	(266,220)	(8,838)	(9,061)
Deferred tax assets				
Finance lease liability	276	244	32	40
Losses available for offset	42,823	43,718	-	-
Prepaid revenue	2,473	1,066	1,407	185
Accrued leave	2,161	1,971	190	17
Doubtful debts	71	71	-	(22)
Stock obsolescence	249	249	-	-
	48,053	47,319	1,629	220
Net deferred tax asset/(liability)	(227,005)	(218,901)		
Deferred tax expense			(7,209)	(8,841)

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 (ie 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 2009 was 196 (30 June 2008 – 164).

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

Superannuation fund (*)

	2008–09 contributions \$'000	Contributions outstanding as at 30/6/09 \$'000	2007–08 contributions \$'000	Contributions outstanding as at 30/6/08 \$'000
Transport Superannuation Scheme	280	7	270	-
State Superannuation Scheme	293	8	278	-
VicSuper Scheme	539	17	405	-
Other	336	11	183	11
Total	1,448	43	1,136	11

(*) 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Within one year	244,235	101,185	16,481	15,262
One year or later and not later than five years	230,066	184,672	864	63
Total capital commitments	474,301	285,857	17,345	15,325

Notes to and forming part of the 2009 Financial Statements - *continued...*

Note 18 – Lease commitments

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Operating leases				
Within one year	66	70	66	70
One year or later and not later than five years	71	115	71	115
Total operating lease commitments	137	185	137	185

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	135,000	134,955	622	577
One year or later and not later than five years	512,944	512,884	295	235
Beyond five years	657,402	657,402	-	-
Total finance lease commitments	1,305,346	1,305,241	917	812
Less:				
Recoverable GST	(118,585)	(118,585)	-	-
Future finance lease charges	(368,376)	(452,440)	-	-
Total finance lease liability	818,385	734,216	917	812

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 Director of Public Transport exercised the option nominating Rolling Stock Holdings as the purchaser, to acquire the residual value of Siemens Trains, Alstom Trains and Siemens Tram rolling stock from Commonwealth Bank entities. The exercising of the option has resulted in adjustments to the value of the asset, lease liability, Government grant income and associated costs and have been taken up in the 2009 financial year. The payment of the finance lease liabilities will be funded by the State.

Note 19 – Contingent liabilities

Environmental and property 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 or compliance with building code regulations that may have been transferred along with the ownership of the land and property.

An action plan has been prepared to address environmental contamination at a number of high priority sites. The Consolidated Entity has not reliably estimated future expenditure levels that are expected to be required to address environmental issues, including remediation activities. With the exception of one specific site for which a provision has been made, there is uncertainty regarding the actual quantum of expenditure and therefore 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.

Notes to and forming part of the 2009 Financial Statements - *continued...*

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:

Directors of the Board:

Ms Elana Rubin
Mr John Anderson
Mr Chris Lovell
Dr Bruce Cohen
Mr James Cain

Accountable Officer:

Mr Bob McDonald

Responsible Minister:

The Hon Lynne Kosky MP,
Minister for Public Transport

The Hon John Lenders MP, Treasurer

Remuneration of Responsible Persons:

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

Income band	Consolidated		Parent	
	2009 no.	2008 no.	2009 no.	2008 no.
\$0,000 to \$9,999	-	1	-	1
\$30,000 to \$39,999	4	4	4	4
\$60,000 to \$69,999	1	1	1	1
\$110,000 to \$119,999	-	1	-	1
\$220,000 to \$229,999	-	1	-	1
\$360,000 to \$369,999	1	-	1	-

Total Remuneration of Responsible Persons: \$551,700 (\$525,767 in 2007-08)

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 2008-09 year includes the total salary package received during the year as well as a performance bonus relating to the 2008-09 year. The Accountable Officer's remuneration for the 2007-08 year included the total salary package received during the year as well as a performance bonus relating to the 2007-08 year.

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

Note 21 – Executive Officers' Remuneration

The number of Executive Officers of the Consolidated Entity (other than the Accountable Officer) 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	
	2009 no.	2008 no.	2009 no.	2008 no.
<\$100,000	2	5	2	5
\$100,000 - \$109,999	-	2	-	2
\$120,000 - \$129,999	-	1	-	1
\$130,000 - \$139,999	2	1	2	2
\$140,000 - \$149,999	-	-	1	-
\$150,000 - \$159,999	3	1	2	-
\$160,000 - \$169,999	1	-	2	-
\$170,000 - \$179,999	1	-	1	1
\$180,000 - \$189,999	-	-	-	1
\$190,000 - \$199,999	1	-	-	1
\$200,000 - \$209,999	-	2	2	-
\$220,000 - \$229,999	-	1	-	-
\$230,000 - \$239,999	1	-	-	-
\$260,000 - \$269,999	1	-	-	-
Total numbers	12	13	12	13
Total amount	\$1,947,525	\$1,585,736	\$1,805,612	\$1,476,063

The Executive Officers' remuneration for the 2008–09 year includes the total salary package received during the year as well as performance bonuses relating to the 2008–09 year.

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

Notes to and forming part of the 2009 Financial Statements - *continued...*

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. Finance leases are recognised at the present value of the minimum lease payments, including any guaranteed residual values, less principal amounts repaid.	Secured loans are fixed interest and are repayable on an agreed plan to September 2021. Finance leases commenced on 18 April 2004 for a term of 15 years.

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 cashflows. Notwithstanding the deficiency in net current assets of \$51.6 million (2008: \$51.8 million), the exposure to liquidity risk is deemed insignificant. The ability of the Consolidated Entity to continue paying its debts as and when they fall due is dependent upon existing contractual arrangements continuing to operate as originally intended. Such agreements ensure sufficient contributions are made by the Victorian Government to cover the Consolidated Entity's contractual commitments.

There are no financial liabilities that are past due.

Market risk

Market risk arises when the value of future cash flows fluctuates because of changes in market prices. VicTrack's exposures to market risks 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. A limited amount of purchases denominated in foreign currencies and the reimbursement of cost from the Department of Transport including the short timeframes for settlement 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 2008–09 was 3.79% (5.86% in 2007–08). 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 2009, the Consolidated Entity had interest-bearing investments with a weighted average interest rate of 5.37% (6.97% in 2007–08).

Notes to and forming part of the 2009 Financial Statements - *continued...*Note 22 – Financial Instruments - *continued...*

Interest rate exposure and analysis of financial assets

Consolidated

			Interest rate exposure				Past due but not impaired			
Note	Weighted avg effective interest rate %	Carrying Amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Not past due and not impaired	31-90 days	91-180 days	>180 days	Impaired financial assets
2009										
					</					

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

Parent

2009

Cash assets		3.79	2,962	-	2,962	-	2,962	-	-	-	-
Other financial assets	7	5.37	21,969	-	21,969	-	21,969	-	-	-	-
Receivables	8(a)		156,513	-	-	156,513	149,258	4,728	1,668	859	237
Total financial assets			181,444	-	24,931	156,513	174,189	4,728	1,668	859	237

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

Note 22 – Financial Instruments - *continued...*

Interest rate exposure and ageing analysis of financial liabilities

Consolidated

			Interest rate exposure			Maturity dates			
Note	Weighted avg effective interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non- interest bearing	<1 year	1-5 years	>5 years	
2009									
Payables	8(b)	-	21,567	-	-	31,567	31,567	-	-
Interest-bearing liabilities	12	9.63	1,187,194	1,186,277	917	-	67,389	308,525	811,280
Total financial liabilities			1,208,761	1,186,277	917	31,567	98,956	308,525	811,280

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

Parent

2009

Payables	8(b)	-	30,318	-	-	30,318	30,318	-	-
Interest-bearing liabilities	12	7.20	917	-	917	-	622	295	-
Total financial liabilities			31,235	-	917	30,318	30,940	295	-

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	-

Notes to and forming part of the 2009 Financial Statements - *continued...*Note 22 – Financial Instruments - *continued...***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:

Market risk exposure	Carrying amount subject to interest	Interest rate risk			
		+/- 0.5%		+/- 1.0%	
		Profit	Equity	Profit	Equity
2009	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	4,457	39	39	78	78
Other financial assets	22,069	150	150	301	301
Trade and other receivables	29,889	-	-	-	-
Financial liabilities:					
Payables	31,567	-	-	-	-
Interest-bearing loans and borrowings	1,187,194	-	-	-	-
Total increase/(decrease)		189	189	379	379
2008	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	7,020	33	33	66	66
Other financial assets	24,350	189	189	378	378
Trade and other receivables	27,144	-	-	-	-
Financial liabilities:					
Payables	27,884	-	-	-	-
Interest-bearing loans and borrowings	1,123,070	-	-	-	-
Total increase/(decrease)		222	222	444	444

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:

Market risk exposure	Carrying amount subject to interest	Interest rate risk			
		+/- 0.5%		+/- 1.0%	
		Profit	Equity	Profit	Equity
2009	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	2,962	33	33	65	65
Other financial assets	21,969	150	150	301	301
Trade and other receivables	156,513	-	-	-	-
Financial liabilities:					
Payables	30,318	-	-	-	-
Interest-bearing loans and borrowings	917	-	-	-	-
Total movement		183	183	366	366
2008	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	5,690	27	27	54	54
Other financial assets	24,250	189	189	378	378
Trade and other receivables	153,874	-	-	-	-
Financial liabilities:					
Payables	26,630	-	-	-	-
Interest-bearing loans and borrowings	812	-	-	-	-
Total movement		216	216	432	432

Notes to and forming part of the 2009 Financial Statements - *continued...*Note 22 – Financial Instruments - *continued...***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:

Consolidated	2009		2008	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
Financial assets				
Cash assets	4,457	4,457	7,020	7,020
Other financial assets	22,069	22,069	24,350	24,350
Receivables	29,889	29,889	27,144	27,144
Total financial assets	56,415	56,415	58,514	58,514
Financial liabilities				
Payables	(31,567)	(31,567)	(27,884)	(27,884)
Interest-bearing liabilities	(1,187,194)	(1,037,119)	(1,123,070)	(1,095,998)
Total financial liabilities	(1,218,761)	(1,068,686)	(1,150,954)	(1,123,882)
Net financial assets	(1,162,346)	(1,012,271)	(1,092,440)	(1,065,368)
Parent				
Financial assets				
Cash assets	2,962	2,962	5,690	5,690
Other financial assets	21,969	21,969	24,250	24,250
Receivables	156,513	156,513	153,874	153,874
Total financial assets	181,444	181,444	183,814	183,814
Financial liabilities				
Payables	(30,318)	(30,318)	(26,630)	(26,630)
Interest-bearing liabilities	(917)	(917)	(812)	(812)
Total financial liabilities	(31,235)	(31,235)	(27,442)	(27,442)
Net financial assets	150,209	150,209	156,372	156,372

Note 22 – Financial Instruments - *continued...*

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	
	2009 (\$)	2008 (\$)	2009 (\$)	2008 (\$)
Audit fees paid or payable to the Victorian Auditor-General's Office for the audit of the financial statements:				
Paid as at 30 June	79,700	-	52,500	-
Payable as at 30 June	80,570	150,600	53,970	101,400
Total financial statement audit	160,270	150,600	106,470	101,400
Audit fees paid or payable to the Victorian Auditor-General's Office for the asset fair value audit:				
Paid as at 30 June	-	-	-	-
Payable as at 30 June	183,500	-	183,500	-
Total asset fair value audit	183,500	-	183,500	-

Disclosure index

Ministerial directions

Legislation	Requirement	Page reference
Report of Operations – FRD guidance		
Charter and purpose		
FRD 22B	Manner of establishment and the relevant Ministers	3
FRD 22B	Objectives, functions, powers and duties	3
FRD 22B	Nature and range of services provided	9
Management and structure		
FRD 22B	Organisational structure	11
Financial and other information		
FRD 10	Disclosure index	88
FRD 15B	Executive officer disclosures	79
FRD 22B, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	46
FRD 22B	Employment and conduct principles	37
FRD 22B	Occupational health and safety policy	38
FRD 22B	Summary of the financial results for the year	46
FRD 22B	Significant changes in financial position during the year	46
FRD 22B	Major changes or factors affecting performance	46
FRD 22B	Subsequent events	50
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	45
FRD 22B	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	45
FRD 22B	Statement on National Competition Policy	45
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	45
FRD 22B	Details of consultancies over \$100 000	45
FRD 22B	Details of consultancies under \$100 000	45
FRD 22B	Statement of availability of other information	45
FRD 25	Victorian Industry Participation Policy disclosures	45
FRD 29	Workforce data disclosures	38
SD 4.5.5	Risk management compliance attestation	44
SD 4.2(g)	General information requirements	5, 6, 7
SD 4.2(j)	Sign-off requirements	1

Legislation	Requirement	Page reference
Financial report		
Financial statements required under Part 7 of the <i>Financial Management Act 1994</i>		
SD4.2(a)	Statement of Changes in Recognised Income and Expense	53
SD4.2(b)	Operating Statement	51
SD4.2(b)	Balance Sheet	52
SD4.2(b)	Cash Flow Statement	54
Other requirements under Standing Directions 4.2		
SD4.2(c)	Compliance with Australian Accounting Standards and other authoritative pronouncements	50, 55
SD4.2(c)	Compliance with Ministerial Directions	50, 55
SD4.2(d)	Rounding of amounts	59
SD4.2(c)	Accountable Officer's declaration	50
SD4.2(f)	Compliance with Model Financial Report	50
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9A	Departmental disclosure of administered assets and liabilities	N/A
FRD 11	Disclosure of ex gratia payments	N/A
FRD 21A	Responsible person and executive officer disclosures	78, 79
FRD 102	Inventories	52, 56, 65
FRD 103D	Non-current physical assets	52, 56
FRD 104	Foreign currency	N/A
FRD 106	Impairment of assets	59
FRD 109	Intangible assets	52, 58
FRD 110	Cash flow statements	54

Legislation	
<i>Freedom of Information Act 1982</i>	45
<i>Building Act 1983</i>	45
<i>Whistleblowers Protection Act 2001</i>	45
<i>Victorian Industry Participation Policy Act 2003</i>	45
<i>Financial Management Act 1994</i>	55
<i>Audit Act 1994</i>	48

Appendix

Level and pedestrian crossing upgrades 2008-09

Location	Treatment
Baddaginnie, Erreys Road	Passive to Boom Barriers
Bairnsdale, Princes Highway	Active Advanced Warning System only
Beaufort, Finnegan Road	Passive to Flashing Lights (1)
Boorcan, Boorcan Road	Passive to Flashing Lights (1)
Buangor, Gravel Route Road	Passive to Flashing Lights (1)
Byrneside, Midland Highway	Active Advanced Warning System only
Camperdown, Wire Lane	Passive to Flashing Lights (1)
Cardigan, Draffins Road	Passive to Flashing Lights (1)
Castle Donnington, Murray Valley Highway	Flashing Lights to Boom Barriers and AAWS (1)
Cope Cope, Sunraysia Highway	Active Advanced Warning System only
Cressy, Hamilton Highway	Active Advanced Warning System only
Deep Lead, Glenorchy Road	Flashing Lights to Boom Barriers (1)
Deep Lead, Stawell-Deep Lead Road	Flashing Lights to Boom Barriers and AAWS (1)
Doeen, Henty Highway	Active Advanced Warning System only
Duverney, Hamilton Highway	Flashing Lights to Boom Barriers and AAWS (1)
Eaglehawk, Marong Road (Allies Road)	Flashing Lights to Boom Barriers (1)
Eurambeen, Old Shirley Road	Passive to Flashing Lights (1)
Euroa, Dudley Road (Lydiards Road)	Passive to Boom Barriers
Flynn, Barrs Lane	Passive to Flashing Lights (1)
Flynn, Upper Flynn's Creek Road	Passive to Flashing Lights (1)
Glenorchy, Campbells Bridge Road	Passive to Flashing Lights
Great Western, Churchill Crossing Road	Passive to Flashing Lights
Great Western, Hyde Park-St Georges Road	Passive to Flashing Lights
Great Western, Rennie Street	Passive to Flashing Lights
Grovedale, Reserve Road	Flashing Lights to Boom Barriers (1)
Hopetoun, Henty Highway	Active Advanced Warning System only
Horsham, Edith Street	Flashing Lights to Boom Barriers
Kaniva, Farmers Street North	Flashing Lights to Boom Barriers (1)

Level and pedestrian crossing upgrades 2008–09 - *continued...*

Location	Treatment
Kaniva, Madden Street North	Flashing Lights to Boom Barriers (1)
Lake Buloke, Sunraysia Highway	Active Advanced Warning System only
Langi Logan (Jacksons Creek), Tatyoon Road	Passive to Flashing Lights
Lascelles, Sunraysia Highway	Active Advanced Warning System only
Litchfield, Borung Highway	Flashing Lights to Boom Barriers and AAWS
Macleod, Ruthven Street	Crib Crossing to Pedestrian Gates
Marong, Calder Highway	Flashing Lights to Boom Barriers and AAWS (1)
Massey, Sunraysia Highway	Flashing Lights to Boom Barriers and AAWS
Merbein, Paschendale Road	Passive to Flashing Lights
Mininera, Rossbridge-Streatham Road	Flashing Lights to Boom Barriers (1)
Mitiamo, Bendigo - Pyramid Road	Passive to Boom Barriers (2)
Mittyack, Calder Highway	Active Advanced Warning System only
Murchison East, Murchison-Violet Town Road	Flashing Lights to Boom Barriers and AAWS (1)
Murtoa, Wimmera Highway	Active Advanced Warning System only
Myers Flat, Loddon Valley Highway	Flashing Lights to Boom Barriers and AAWS (1)
Numurkah, Saxton Street	Flashing Lights to Boom Barriers
South Geelong, Swanston Street	Flashing Lights to Boom Barriers
South Geelong, Yarra Street	Pedestrian Gates
Strathmerton, Murray Valley Highway	Flashing Lights to Boom Barriers and AAWS
Tabilk, Tabilk-Monea Road	Passive to Flashing Lights
Tarnagulla, Bendigo-St Arnaud Road	Passive to Flashing Lights and AAWS
Tatyoon, Tatyoon Road	Passive to Flashing Lights
Wangaratta, Delloro Road	Passive to Boom Barriers
Warracknabeal, Henty Highway	Active Advanced Warning System only
Westmere, Glenelg Highway	Flashing Lights to Boom Barriers and AAWS (1)
Windermere, Powells Road	Passive to Flashing Lights (1)
Yarrawonga, Benalla-Yarrawonga Road	Passive to Flashing Lights
Yarrawonga, Katamatite-Yarrawonga Road	Passive to Flashing Lights

Notes

(1) Commonwealth funding contribution for active upgrade

(2) Upgraded by V/Line

Level and pedestrian crossing upgrades 2008-09 - *continued...*

(Disability access ramps, smooth track surfaces, pavement markers and new fencing and signage)

Location	Treatment
Benalla, Faithful Street	DDA compliance
Echuca, Pakenham Street	DDA compliance (2 upgrades)
Glenroy, Arundel Avenue	DDA compliance
Kyabram, Pullar Street-Anderson Street	DDA compliance
Merbein, Paschendale Road	DDA compliance
Mitiamo, Glossop St (Bendigo-Pyramid Road)	DDA compliance
Nhill, Davis Avenue	DDA compliance
Numurkah, Saxton Street	DDA compliance
Rochester, Elizabeth Street	DDA compliance (2 upgrades)
Rochester, Northern Highway (Mary Street)	DDA compliance (2 upgrades)
Shepparton, Hayes Street	DDA compliance (2 upgrades)
Shepparton, Knight Street (Andrew Fairley Avenue)	DDA compliance (2 upgrades)
Wurruk, Riverview Road	DDA compliance



Authorised and produced by
VicTrack, GPO Box 1681
Melbourne VIC 3001

© VicTrack October 2009

If you would like to receive this publication in an accessible
format, please telephone VicTrack on 03 9619 1111

Printed by Red Rover (Aust.) Pty Limited
53 Brady Street, South Melbourne Victoria 3205

Designed by Department of Transport Design Team

Selected photography by Peter Glenane,
Andrew Maccoll and Richard Gibbs

Additional images courtesy of VicTrack, Department
of Transport, Australian Property Institute
(Victorian Division) and Moira Shire Council



VicTrack Head Office
Level 8, 1010 LaTrobe Street Docklands Vic 3008

Telephone: 03 9619 1111
Facsimile: 03 9619 8851
www.victrack.com.au