

CONNECTING TRANSPORT. DELIVERING FOR TRANSPORT.



Letter to Ministers

5 September 2014

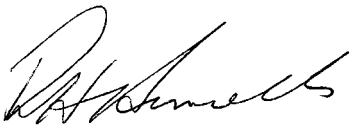
The Hon. Terry Mulder MP
Minister for Public Transport
Level 20, 1 Spring Street
Melbourne VIC 3000

The Hon. Michael O'Brien MP
Treasurer
Level 4, 1 Treasury Place
Melbourne VIC 3000

Dear Ministers

I have much pleasure in submitting the Annual Report for VicTrack for the period 1 July 2013 to 30 June 2014 for your presentation to Parliament.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bob Annells', with a stylized flourish at the end.

Bob Annells PSM
Chair

Contents

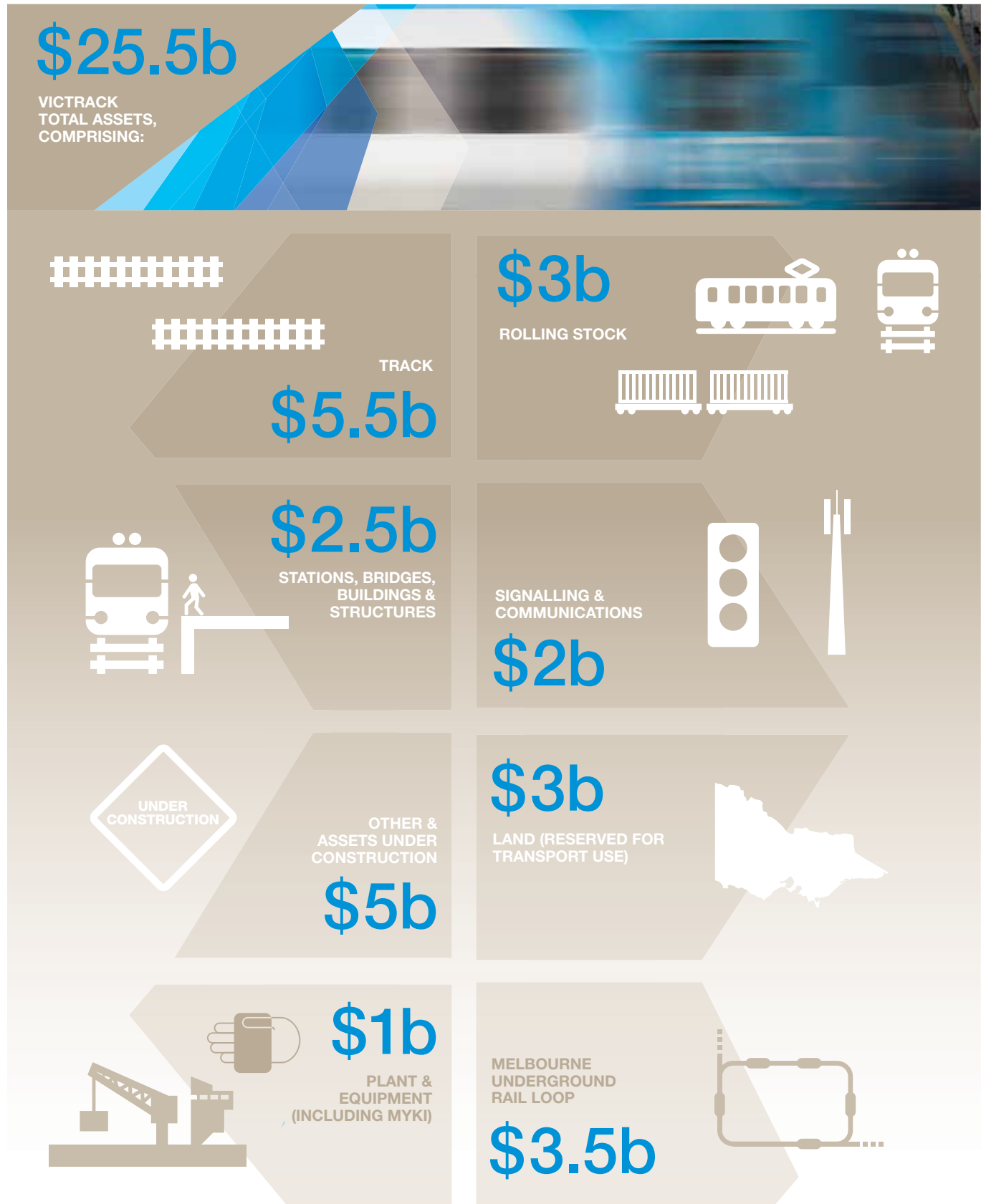
4	PART ONE – ABOUT VICTRACK
4	2014 Who we are
6	VicTrack – a snapshot
7	Chairman's report
9	Chief Executive's report
11	Core functions and business units
13	PART TWO – OUTCOMES REPORT
13	Delivering value to transport
26	PART THREE – STATUTORY AND FINANCIAL REPORTING
26	Corporate governance
30	Statutory information
33	Financial performance
35	Independent Auditor's Report
37	Statutory Statement
38	Comprehensive Operating Statement
39	Balance Sheet
40	Statement of Changes in Equity
42	Cash flow Statement
43	Notes to the Financial Statement 30 June 2014
96	Disclosure Index
98	APPENDICES
98	Board members
100	Consultant table
101	Organisation structure
102	Mission, vision, values

2014

Who we are

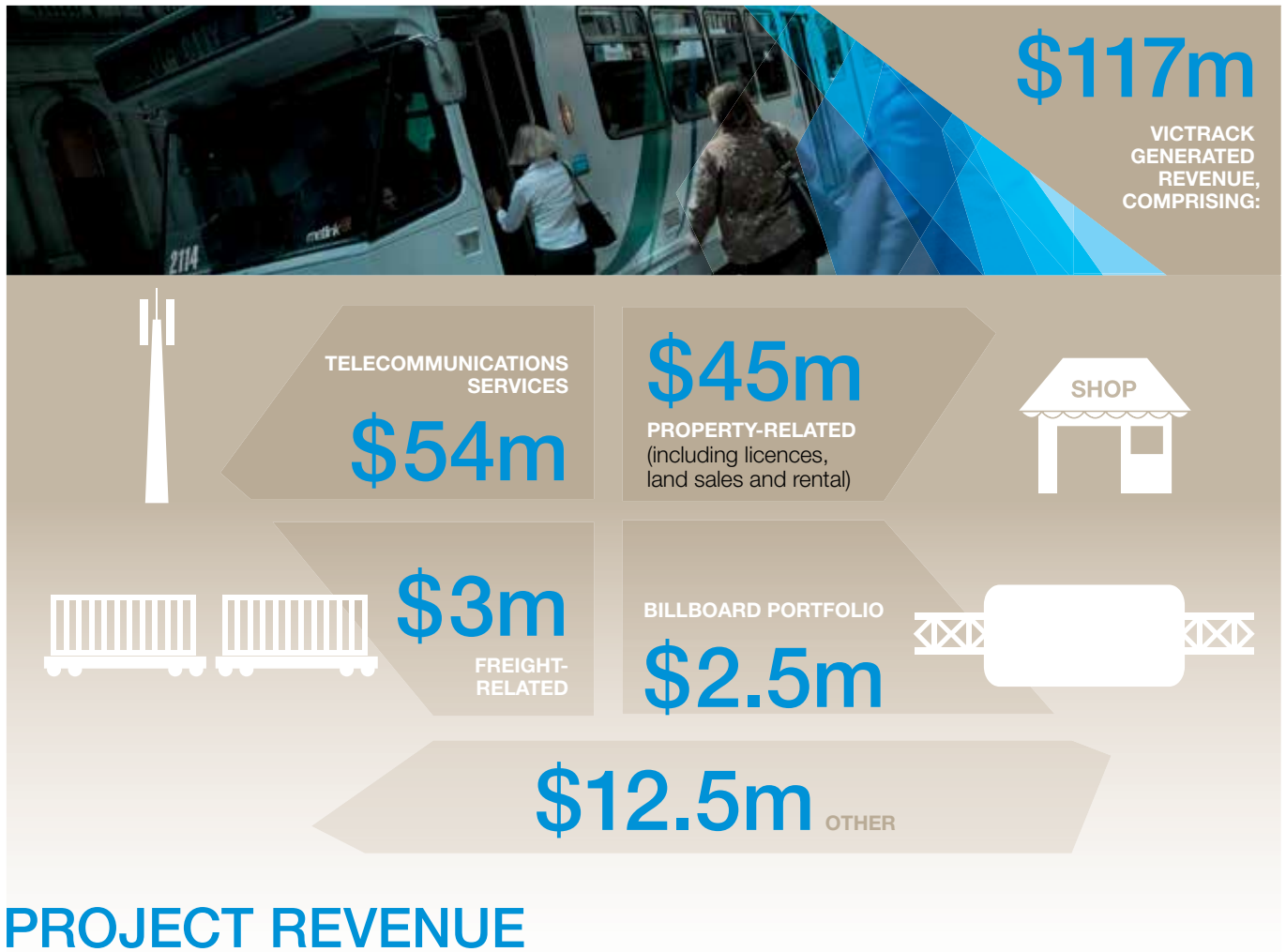
ASSETS

VicTrack and its controlled entities have \$25.5b in assets, the vast majority of which are leased on behalf of the state to the public transport operators and other transport and transport-related agencies



REVENUE

Of the assets under VicTrack's day-to-day control, the organisation generated \$117 million revenue in 2013-14.



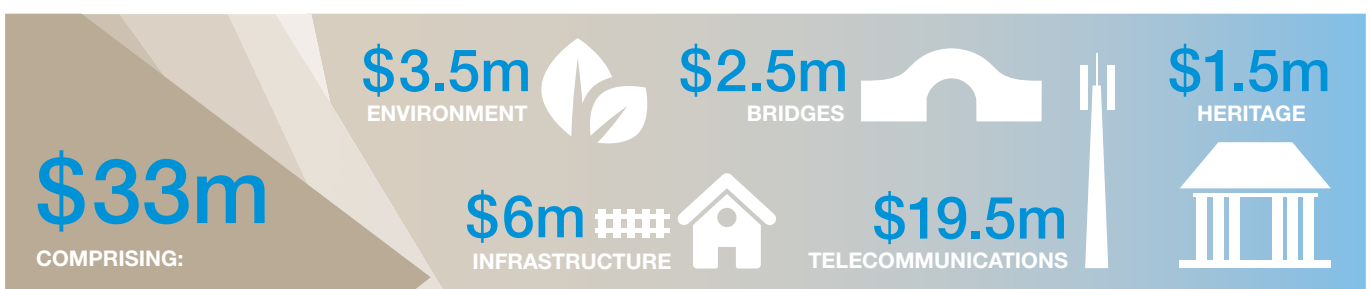
PROJECT REVENUE

VicTrack received \$48 million to undertake specific projects on behalf of PTV and other transport agencies



CUSTODIAL OBLIGATIONS

VicTrack reinvested \$33 million into projects to meet its custodial obligations, including the maintenance and restoration of buildings and other assets, and significant investment in managing and maintaining transport telecommunications



PART ONE About VicTrack

VicTrack – a snapshot

Improving the public transport system is a critical element of the Victorian Government's policy agenda.

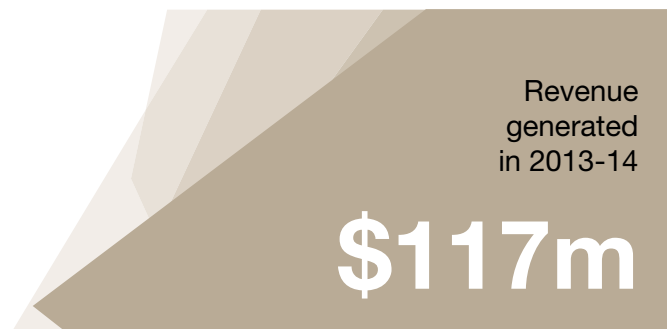
Created in 1997, VicTrack is a State-owned business enterprise with an independent Board and plays a pivotal role supporting the Victorian Government to provide improved public transport outcomes without relying on government funding.

VicTrack reports to both the Minister for Public Transport and the Treasurer, and operates under the *Transport Integration Act 2010*.

VicTrack is the custodial owner of Victoria's railway land, infrastructure and, through the Rolling Stock Holdings group of companies, much of its rolling stock. The vast majority of these assets are leased to Victoria's rail and tram operators via Public Transport Victoria (PTV). The operators are responsible for managing the assets and delivering public transport services.

VicTrack's core functions are to:

- deliver telecommunications to support the operations of public transport
- be the custodian of land set aside for transport purposes
- dispose of or develop land surplus to transport requirements
- provide civil engineering services to upgrade transport infrastructure, and
- support rail freight by managing the open access Dynon Rail Freight Terminal.



With strong support across the Victorian Government, VicTrack has also proactively leveraged its telecommunications infrastructure to provide much-needed broadband and other IT services to the wider government sector.

The revenue generated through VicTrack's activities funds its operations and projects and the large financial obligations that come with its extensive land and telecommunications assets. VicTrack has been largely self-funded from its inception.

VicTrack's social and environmental activities include:

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

VicTrack works closely with PTV, the Department of Transport, Planning and Local Infrastructure, the Department of Treasury and Finance, the public transport franchisees, the Department of State Development, Business and Innovation, telecommunications carriers, VicRoads, local councils and a broad range of other stakeholders and community groups to fulfil its obligations.

Chairman's report

Over the past 17 years VicTrack has evolved, adapted and innovated so that it continues delivering key services and infrastructure to support public transport and freight services across Victoria. The past year has been a particularly interesting and challenging one, with the Board, Executive and staff all challenged to meet the rapidly changing needs of our public transport system.



CHANGING ENVIRONMENT

Some of these challenges include the evolving technology requirements of a modern public transport system, the growth of Melbourne's population and the changing needs and preferences of the travelling public. In addition there are challenges relating to the maintenance and upgrade of VicTrack's existing major holdings of key land, transport and technology-related assets. VicTrack is the largest titled land holder in Victoria. With this ownership comes significant obligations to manage, mediate and monitor these landholdings and associated buildings. We are also responding and adapting to the new and innovative models for providing and operating more efficient public transport infrastructure.

This changing landscape affects all aspects of the organisation and the constant challenge for the Board is to adopt a strategic approach to managing the opportunities these challenges present, while delivering significant business-as-usual activities.

Central to VicTrack's operations is the requirement to be largely self-funding. Revenue derived from managing the organisation's large property assets, including the sale and development of surplus land, and funds from telecommunications and infrastructure activities, enable VicTrack to operate without relying on funding via the State Budget. This revenue is reinvested in the transport system at no cost to the State or taxpayers.

TELECOMMUNICATIONS REVIEW

A major review of the Telecommunications Group was underway late in the financial year. This review is examining the business models and best practice of global public transport telecommunications infrastructure owners. It is also identifying and assessing the group's assets, capabilities and performance. We want to ensure that the State's telecommunications assets are fully leveraged, managed and developed so they continue to deliver and support the changing needs of public transport. Given the rapidly changing requirements of a modern public transport system, the review is vital for positioning the organisation to meet future demands and needs. We are talking with all major stakeholders throughout this process. The Board looks forward to receiving the independent report in September 2014 and working with stakeholders to determine the best way forward.

VicTrack's telecommunications network is a vital infrastructure asset for the State and provides an essential service for all Victorians. Without it, and the expertise of VicTrack's technical staff, rail services could not operate.

The legacy system of an ageing copper network and PABX system is a major strategic issue for the organisation. In late 2013, the Board endorsed the development of a plan to replace these assets. This is essential for providing higher standards of performance in future and for supporting a public transport network predicted to grow significantly in coming years.

PART ONE About VicTrack

Chairman's report

FREIGHT STATE

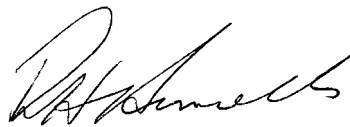
The Board endorsed the development of a holistic Freight Strategy during the year. This will support the Victorian Government's strategy, *Victoria – The Freight State*, which recommends maintaining and improving Victoria's freight gateways and terminals, especially those associated with rail freight in the Port of Melbourne precinct and a progressive decentralisation of interstate rail freight activities to Melbourne's periphery. We are considering the upgrade of VicTrack's Dynon Rail Freight Terminal (the only fully open access multi-user terminal in the Port precinct) which has a 90,000-plus container throughput per year. We are also investigating how we can ensure strong freight infrastructure that links to a multi-modal transport network. A new Board Freight Logistics Committee was established to oversee the development and implementation of this strategy.

The year has been a challenging yet rewarding one. VicTrack has delivered some significant projects for the State, including the Station Precinct Enhancement Program, the Community Use of Vacant Rail Buildings Program, the 50th level crossing under the Fix Country Level Crossings Program and a unified communications platform.

VicTrack's achievements are only possible through close collaboration with many stakeholders across the transport and other sectors in which VicTrack operates. I would like to thank all those who have worked with us for the part they play in achieving VicTrack's mission. I would particularly like to thank the Minister for Public Transport, Terry Mulder, for his continued strong support and interest in advancing the ability of VicTrack to deliver transport and broader government outcomes. A highlight of the year for VicTrack was the Minister's launch of the Station Precinct Enhancement Program early in 2014 to a packed house at an event hosted by the Property Council of Australia.

I would like to acknowledge my fellow Board members, who undertake significant work on the Board and its sub-committees and who went above and beyond to tackle the challenges and opportunities facing VicTrack during the year.

The continuing efforts and commitment of VicTrack staff under Chief Executive Campbell Rose deserve particular acknowledgement. I look forward to working with all our stakeholders to deliver improved transport outcomes over the coming year and to continue ensuring the state's significant transport assets are managed and developed. This will mean that Melbourne and Victoria will always have a world-class transport system.



Bob Annells PSM
Chair

Chief Executive's report

In my first full financial year as Chief Executive of VicTrack, the organisation continued to deliver public transport benefits for Victoria.

VicTrack is a diverse organisation with delivery departments in the rail infrastructure, telecommunications and property development and land management sectors. The year presented many opportunities as well as challenges for the organisation.

Internally, we completed a restructure that has delivered a strong and determined executive management team. We have introduced leadership training for our broader senior leadership group and implemented a range of information technology improvements that have boosted our information security, storage capacity and capability. We have also taken a more rigorous approach to the organisation's strategic direction, implementing a thorough review of our Telecommunications Group and taking a new approach to our corporate planning process.

STATION PRECINCT ENHANCEMENT PROGRAM

Externally, we continue to deliver high-grade projects for the Victorian Government. Prime among these is the Station Precinct Enhancement Program, which was given a formal mandate during the year in the *Plan Melbourne* strategy. Through the program, VicTrack partners with the private sector to improve station precincts and contribute to urban renewal.

We commissioned independent economic modelling that showed that the Station Precinct Enhancement Program will facilitate in excess of \$1 billion of investment opportunities to the private sector over the next three to five years. It will provide \$5 billion in economic stimulus for Victoria, and deliver more than 3,000 direct project jobs and a further 5,000 indirect jobs throughout the construction period.

The IKON project at Glen Waverley was completed in late 2013 and proceeds from this have funded the upgrade to the Glen Waverley station forecourt,

due for completion in August 2014. The retail component of IKON will also provide a valuable continuing revenue stream, which we will continue to use to deliver further improvements to the public transport network. Developer Consolidated Properties and builder Hutchinson Builders both did sterling work on the IKON development.

The Jewell and Hampton station precinct projects had well-received expressions of interest during the year, with preferred developers for each site due to be announced in the second half of 2014. The Alphington proposal progressed through the community consultation stage, and an expression of interest is expected to be released to interested developers later in 2014. A pipeline of development projects was also developed.

COMMUNITY USE OF VACANT RAIL BUILDINGS PROGRAM

The first three projects to be funded under the Victorian Government's Community Use of Vacant Rail Buildings Program – at Yarragon, Chiltern and Beaufort – were nearing completion and formal handover to the tenants at year's end. A further seven projects are at various stages of planning or construction. This program funds the restoration of vacant rail buildings, many of them beautiful heritage rail buildings built more than a century ago. They are leased by community groups, helping revitalise local communities and providing valuable community facilities.



PART ONE About VicTrack

Chief Executive's report

TELECOMMUNICATIONS

VicTrack's Telecommunications Group continued adding value to the transport system through improved communications systems for Metropolitan Trains Melbourne (MTM), V/Line and Yarra Trams. This included providing signalling and control systems for the Regional Rail Link and leveraging VicTrack's extensive fibre network to deliver unified communications to transport and government customers.

Throughout the year, we continued to work with Public Transport Victoria (PTV) and Victoria's tram and train operators to improve the reliability, safety and accessibility of public transport.

Testing of the fibre transmission network that supports a digital train communication system for metropolitan rail services was completed. MTM will progressively implement the new system from early in the new financial year. Testing and training on a new digital communications system for V/Line also continued. This project is scheduled for completion by 2018.

Our unified communications platform was delivered to MTM and Yarra Trams. As V/Line became a unified communications customer in the previous financial year, all three of our major transport partners now use the platform. The Emergency Services Telecommunications Authority became the first non-rail unified communications customer. Unified communications has also made the Clinicians Online and TAFE video conferencing facilities possible.

Unified communications puts VicTrack at the forefront of delivering smarter and more efficient communications technology, and has allowed the organisation to retire some of its aging PABX infrastructure.

MAJOR PROJECT DELIVERY

In transport infrastructure delivery, VicTrack was proud to deliver the 50th level crossing under the Victorian Government's Fix Country Level Crossings Program. This milestone was reached at the commissioning of the Avenel crossing with Minister Mulder marking the occasion. The program will improve safety at up to 75 crossings over four years.

With specific Victorian Government funding, we completed 14 level crossing upgrades under the Fix Program, and were able to fund the closure of one further regional crossing from program savings. Eight additional crossings were upgraded under the State Level Crossing Upgrade and Pedestrian Upgrade Programs. VicTrack was also funded to deliver an active level crossing and pedestrian crossings at New Street in Brighton, enabling the re-opening of the road, which had been closed for several years.

Other transport infrastructure improvements included continuation of work on two new railway stations at Epsom and Waurin Ponds for PTV, both due for completion by the end of 2014, and the start of work on a project to improve accessibility at Geelong railway station.

One of the obligations that falls on VicTrack, with its extensive land holdings, is environmental management. Much of this land is often contaminated, given its history of industrial rail use. During the year the organisation completed asbestos audits and remediation at more than 60 sites as part of a rolling five-year program as well as more than 35 contaminated land site assessments.

We continue to work closely with Landcare Australia to preserve and protect native flora and fauna in the rail corridor. This is an important partnership that allows VicTrack to contribute to local and statewide environmental sustainability initiatives.

VicTrack's dedicated and specialist workforce makes the delivery of this wide range of often complex project work possible. We have a strong leadership team and staff who frequently go above and beyond in their commitment to meet and exceed project demands.

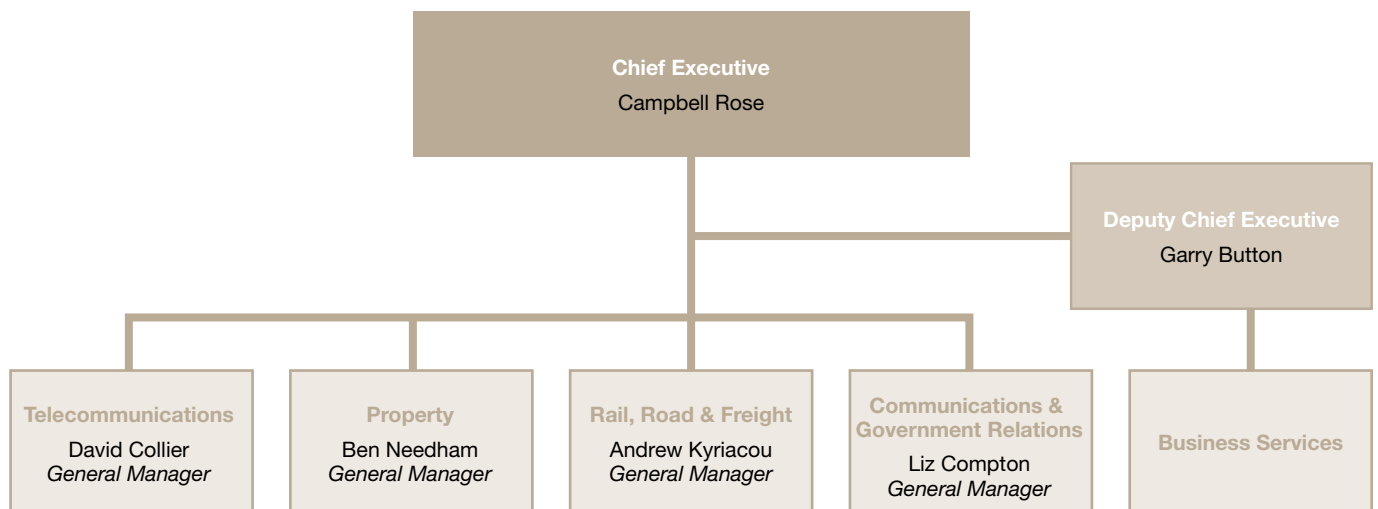
I am proud to lead our organisation, with people who are genuinely making a difference to the Victorian community through their activities. I look forward to continuing this work with our Board, staff, Victorian Government and other partners over the coming year.



Campbell A. Rose
Chief Executive

Core functions and business groups

VicTrack's structure consists of three project delivery groups supported by the Business Services Group, which includes finance, human resources, legal, IT, occupational safety and risk, and procurement and project management offices. The work of the organisation is further supported by the Communications and Government Relations Group.



PART ONE About VicTrack

Core functions and business groups

TELECOMMUNICATIONS

The Telecommunications Group 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
- working in partnership with PTV to deliver critical communications projects
- leveraging surplus network capacity to improve broadband access for the government sector.

PROPERTY

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

- commercial, community and other leasing
- the Station Precinct Enhancement Program, that delivers improvements to safety, security, amenity and access in station precincts
- licensing third parties to access land within the rail corridors
- land management, including land disposals, tenure and records
- maintaining infrastructure and property that is not leased to other parties
- managing heritage buildings and rolling stock assets
- maintaining and improving the yield of VicTrack's outdoor advertising portfolio.

VicTrack's business model leverages its significant assets and capabilities in telecommunications, property and infrastructure management.

RAIL, ROAD & FREIGHT

The Rail, Road & Freight Group is responsible for:

- project managing for PTV the Victorian Government's Statewide Level Crossing Upgrade Program (which includes the *Disability Discrimination Act 1992* upgrade program) and the Fix Country Level Crossings Program.
- administering the Australian Level Crossing Assessment Model (ALCAM) system and database, and managing a program of level crossing safety research and development
- constructing new stations, bridges and other rail infrastructure and upgrades to existing stations, car parks and other assets
- delivering rail-related projects for VicRoads and local councils
- managing the Rail Skills Centre – Victoria
- improving VicTrack's safety systems and maintaining Rail Safety Accreditation
- managing and developing key rail-based sites in Melbourne and providing rail track access to strategic central Melbourne areas, including the Dynon terminals

Expertise in rail infrastructure, property management and development and telecommunications

Expertise



VicTrack completed the upgrade of the New Street, Brighton level and pedestrian crossing.

PART TWO Outcomes Report

Delivering value to transport

SAFER TRANSPORT SERVICES AND INFRASTRUCTURE

Crossing Upgrades

- Victorian Government-funded safety upgrades were completed at 22 level and pedestrian crossings across Victoria in 2013-14, mostly in regional Victoria. This exceeded the agreed target by one crossing for the Fix Country Level Crossings Program, with VicTrack able to fund the closure of the Simpson Road crossing in Terang from program savings.

The Victorian Government allocated \$35 million under the Fix Country Level Crossings Program over four years to improve safety at up to 75 country level crossings.

PTV funded VicTrack to complete 12 upgrades under the Fix Program (with an additional two crossings carried over from 2012-13) and seven under the State Level Crossing Upgrade and Pedestrian Upgrade Programs. Highlights were:

- The 50th crossing upgraded since November 2010 under the Fix Program was delivered in early 2014. VicTrack completed 31 of the 50 upgrades, with V/Line delivering the remainder. All had a history of vehicle near misses.
- A package of three crossings costing \$900,000 on the Mangalore-Tocumwal line in the Avenel region were the 50th to 52nd crossings completed.
- Pedestrian crossings at Ginifer Station, St Albans, Ferguson Street, North Williamstown and Charman Road, Cheltenham were improved in a \$1.9 million package of work late in the financial year. The two crossings at Cheltenham were ranked first and third under the ALCAM model of metropolitan crossings not already controlled by automatic gates and which had not previously had safety upgrades. Ginifer was number nine on this list. All three sites now have automatic safety gates and emergency exit gates, plus fencing and *Disability Discrimination Act* (DDA) compliant signage.

Level crossing
upgrades in
2013-14

22



VicTrack completed the 50th level crossing to be upgraded under the Fix Country Level Crossings Program. Member for Seymour Cindy McLeish, Minister for Public Transport Terry Mulder and Member for Benalla Bill Sykes attended the commissioning of the 50th crossing at Aerodrome Road, Avenel.

The upgrade for North Williamstown, the scene of fatalities and serious accidents, involved closing a pedestrian underpass and installing the DDA compliant crossing on top of it. Similar upgrades at Yarraville and Bentleigh have proved successful in improving pedestrian safety.

- Delivery of an active level crossing and pedestrian crossings at New Street, Brighton, enabling the reopening of the road crossing, which had been closed for several years. The \$4.4 million project funded by PTV also included traffic signalling and associated road works, which VicRoads completed. The historic gates and hut at New Street, the last hand-operated gates in Victoria, were preserved on site and are on display next to the reopened crossing and intersection.

PART TWO Outcomes Report

Delivering value to transport

CROSSING UPGRADES 2013-2014

State Level Crossing Upgrade and Pedestrian Upgrade Programs 2013-14 (Total 7 Upgrades)

Location	Treatment
Morwell, Princes Drive	Flashing lights to boom barriers
Benalla (Violet Town), Mc Diarmids Road	Flashing lights to boom barriers
Glenorchy, Stawell-Warracknabeal Road	Flashing lights to boom barriers
Ginifer, St Albans (upper end of platform)	Active gated and DDA compliance
Cheltenham, Charman Road – Location 1	Active gated and DDA compliance
Cheltenham, Charman Road – Location 2	Active gated and DDA compliance
Williamstown, Ferguson Street	Active gated and DDA compliance

Fix Country Level Crossing Upgrade Program FY2013-14 (Total 15 Upgrades)

Location	Treatment
Epsom, Golf Course Road	Flashing lights to boom barriers
Tandarra, Tandarra – Serpentine Road	Passive to boom barriers
Terang, Simpson Road	Closure
Allansford, Brown Street	Passive to boom barriers
Mangalore, O'Connors Road	Passive to boom barriers
Avenel, Aerodrome Road	Passive to boom barriers
Wahring, Wahring-Euroa Road	Passive to boom barriers
Panmure, Panmure-Laang Road	Passive to boom barriers
Buckley, Considines Road	Passive to boom barriers
Terang, Pontings Road	Passive to boom barriers
Pirron Yallock, Tomahawk Creek Road	Flashing lights to boom barriers
Irrewarra, Pyles Road	Passive to boom barriers
Terang, Terang – Framlingham Road	Flashing lights to boom barriers
Warrnambool, Walsh Road	Passive to boom barriers
Nagambie, Kirwans Bridge – Longwood Road	Flashing lights to boom barriers

Notes:
All upgrades completed on behalf of Public Transport Victoria. A further 4 upgrades were completed by V/Line and VicRoads during the financial year.

VicTrack provides vital services to government and transport customers.

Station Upgrades

- A \$530,000 project reshaped the commuter car park and station entrance at North Williamstown railway station. The unmarked parking area at the station was upgraded and new on-street parking created, delivering 50 formal spaces, 40 of them being new spaces. The project also included new lighting, footpaths and landscaping, disabled parking, a taxi-bay, short-term parking and a 'park-and-ride' bay. VicTrack funded this work from the sale of land in nearby Power Street, which was no longer required for transport use. The land was purchased by the Department of Human Services for a future aged care site.
- VicTrack started work on a \$5.5 million project to improve accessibility at Geelong Station. This will see connectivity improved between the south end of platforms one, two and three with new lifts and stairs installed. An access ramp at the north of the station platforms will also be installed along with upgraded disabled toilets and improvements to station facilities so they meet DDA standards. This will see the height of ticket counters lowered and disabled parking upgraded. Work is due for completion in early 2015.
- VicTrack is managing the delivery of two new railway stations for PTV:
 - Construction work began on the \$7.7 million new railway station at Epsom and the associated Eaglehawk station enhancement late in the financial year. VicTrack completed environmental and geotechnical work and preliminary building and signalling design prior to being awarded the contract for constructing the new station on the

Echuca line near Bendigo. It will have a single-sided platform and will provide parking for 60 cars. Modifications to Eaglehawk station on the Swan Hill line will allow for six-car trains, an all-abilities access ramp for pedestrians and a new driver access pathway. These works should be completed by the end of 2014

- The \$14 million Waurm Ponds station construction had passed the half-way stage at the end of the financial year, with the base of the car park complete, along with track renewal and preliminary works for the station platform and building. VicTrack is also delivering telecommunications, including train signalling, passenger information displays and station internet and phone services as part of the work. The project is due to be commissioned in the last quarter of 2014.

Infrastructure upgrades

- VicTrack delivered a safer pathway for pedestrians and cyclists between Lynch Street and the Glenferrie Oval in Hawthorn, managing a \$30,000 upgrade of the rail underpass, funded by PTV. The underpass was fitted with vandal-resistant fluorescent lights and floodlighting was installed.
- Work was completed on a \$754,000 pedestrian footbridge from the Box Hill Cemetery across the Belgrave and Lilydale rail line. The steel truss bridge provides a safe and accessible crossing, following the removal of an at-grade pedestrian crossing at Box Hill in 2007 as part of the Middleborough Road Grade Separation project. PTV funded the footbridge.

Six station upgrades and two new stations in 2013-14

Existing Station	Work	Status 2013-14
North Williamstown	Station car park	Completed
Geelong	Improve accessibility	Commenced
Eaglehawk	Platform work and improve accessibility	Commenced
Glen Waverley	Station forecourt improvements	Commenced
Ballarat	Heritage restoration & Masterplan	Completed
Moorabbin	Bus interchange and station improvements	Commenced
New station	Work	Status 2013-14
Waurm Ponds	Construction	Ongoing from 2012-13
Epsom	Construction	Commenced

PART TWO Outcomes Report

Delivering value to transport

WELL-TARGETED IMPROVEMENTS AND MAINTENANCE TO TRANSPORT SYSTEM ASSETS

Telecommunications infrastructure upgrades

- VicTrack worked with V/Line to deliver the 1200-metre crossing loop at Warrncoort, between Birregurra and Colac. This allows trains to pass one another, providing greater flexibility in timetabling. V/Line undertook signalling and track works, while VicTrack completed four and-a-half kilometres of electrical and communications conduit installations, using contractors already mobilised for the Geelong to Warrnambool Victorian Fibre Strategy project. This resulted in cost savings.
- Testing of the fibre transmission network that supports a new metropolitan Digital Train Radio System was completed. The system replaces the existing legacy Urban Train Radio System and is now being progressively rolled-out across the metropolitan rail network from early in the 2014-2015 financial year.
- VicTrack is delivering a new communications service to V/Line for control of the regional train network. The Regional Rail Communications Network (RRCN) project will deploy the National Train Communications System and replace the existing and obsolete Non-Urban Train Radio system used by V/Line with a modern digital system that improves reliability and operations.
Testing and training for the project continued and works are scheduled for completion by 2018.
- Preliminary work was completed on two projects for KDR, Yarra Trams' parent company:
 - providing the network to connect 17 new sub-stations on the tram network. This is required to power the new E-class trams being progressively purchased for the tram fleet, and
 - providing the network to support new solar-powered passenger display systems and remote public address systems for tram stops.

Bridge Rehabilitation Program

- VicTrack completed \$1.52 million in bridge refurbishment projects at Lardners Track in Drouin, McCormack Road in Bacchus Marsh and Hill Street in Stawell under the Bridge Rehabilitation Program. A small portion of this funding was for work at Peel Road in Inverleigh, which was largely completed in the previous financial year.

Freight infrastructure improvements

- The \$8.9 million project to replace 23,000 square metres of bitumen pavement at VicTrack's Dynon Rail Freight Terminal with high-strength post-tension concrete was officially completed early in the financial year, improving capacity and efficiency at the terminal.

VicTrack has developed a three-year plan for further investment in the terminal to support the Victorian Government's strategy *Victoria – The Freight State*. This recommends expanding the Port of Melbourne and progressively decentralising of heavy freight activities away from the central city area to Melbourne's periphery.

Existing investment at Dynon has increased container throughput and rail freight traffic, while further investment over the next three years will overcome limitations on Dynon reaching its potential and the shortfall between container throughput and the site's capacity.

Phase one of the three-year project to improve access to the terminal, make better use of the site and improve availability of dual gauge tracks is due for completion by June 2015.

- VicTrack completed the relocation of the Creek Sidings rail wagon maintenance facility to McIntyre, funded by the Regional Rail Link Authority, which acquired the Creek Sidings. The \$14.6 million project created a like-for-like facility on what had been a greenfield site. Work included installing four 480-metre rail tracks (two broad gauge and two standard gauge) a new wagon maintenance crane and canopy, office facilities, hardstand area and turning circle. The work supports Victoria's development of a strong freight and logistics sector.

VicTrack managed
\$51m of rail infrastructure
projects during the year

\$51m

Myki

- At the start of the financial year, VicTrack assumed responsibility for the fixed assets of the myki ticketing system and the civil works that form part of the fixed assets (cabling, ducting, conduits, trenches, pits, lids and bores).

Building code compliance

- VicTrack continued work on the Building Code compliance program, specifically improving electrical safety and fire protection services at the Maryborough, Korumburra and Bendigo railway station precincts.
- An expression of interest and request for tender process for a proposed truck service centre in the Port of Melbourne precinct was completed during the year. An operator for the precinct is due to be announced towards the end of 2014. The truck service centre will fill a gap in transport and logistics service requirements in the Port of Melbourne and deliver VicTrack an important source of revenue. The centre will have truck parking, driver amenities and ancillary retail activities. It will serve as an area for trucks to park while waiting to enter the Port precinct.

Billboard portfolio

- The tender for VicTrack's outdoor advertising portfolio was awarded to QMS Rail Media in late 2013. The company manages VicTrack's advertising portfolio across 40 landmark sites, including a new billboard on Kingsway in Melbourne. Revenue growth is a key focus of the contract. VicTrack also reached agreement with VicRoads to collaborate on appropriate outdoor advertising opportunities, a move which will benefit both organisations. Like all VicTrack's projects, revenue from billboards will be reinvested into the transport network.

Regional Rail Link

VicTrack has an integral role as land manager and telecommunications provider for the \$4.8 billion Regional Rail Link (RRL) project funded jointly by the Victorian and Australian governments.

When it is completed in late 2014, RRL will provide dedicated tracks for regional trains through the metropolitan system between Sunshine and Southern Cross stations. VicTrack will have provided communications systems on a new regional route between West Werribee and Deer Park, including the new stations at Tarneit and Wyndham Vale.

Regional Rail Link – Infrastructure Project of the Year

2014



VicTrack staff installing fibre between Footscray and Deer Park for the RRL project.

VicTrack's RRL project team supported each of the seven key RRL work packages with key activities including:

- procurement and storage of optical fibre and installation of copper and optical fibre cabling for enabling works associated with relocation of VicTrack's existing operational network
- service relocations, supervision of installations and network protection activities
- design and construction work on all work packages
- design and implementation of radio solutions and type approval testing of base stations
- liaison with leaseholders and the Regional Rail Link Authority on a range of leasing issues
- provision of managed services
- liaison and management of environmental issues, including contaminated land, asbestos and biodiversity issues.

The RRL project won the Infrastructure Project of the Year award from Infrastructure Partnerships Australia in early 2014.

On completion, VicTrack will, on behalf of the State, own, manage and operate the RRL telecommunications infrastructure, including fibre used for signalling.

PART TWO Outcomes Report

Delivering value to transport

Community and Heritage works

Townships across Victoria are benefiting from the Community Use of Vacant Rail Buildings Program, which refurbishes disused railway buildings for use by community groups. Work was carried out at Yarragon, Chiltern, Beaufort and Inglewood during the year under the four-year program, which is funded by PTV. The program provides support with rent and utilities for limited periods in addition to creating community facilities in previously empty railway buildings.

- Work at Yarragon reached practical completion on 30 June 2014, allowing the tenants, the Baw Baw Arts Alliance and the Yarragon and District Community Association, to take possession and provide gallery, workshop and much needed affordable meeting space. The \$500,000 project involved restumping the building to level the floor, constructing a new roof as well as significant internal work. The Trafalgar and District Community Bank has taken up the head lease of the building.
- Significant progress was made on the \$1.1 million project to refurbish the Beaufort station and goods shed as an arts hub and steam-era museum. The head lease was taken by the Pyrenees Shire Council and the tenants will be the Lake Goldsmith Steam Preservation Association and the Pyrenees Arts Council.
- The Chiltern goods shed will be transformed into a hub for tourists, cyclists and community artists when work is completed on the \$950,000 project. The head lease on the 1875 heritage-listed building has been taken by Chiltern Tourism Development Inc.
- The Inglewood station and goods shed project was formally announced in March 2014. Three community groups will use the two buildings when the \$1.04 million project is complete by the end of 2014: the Inglewood and Districts Health Service, Workspace Australia and the Goldfields Choir.

Additional projects were initiated at Wycheproof, Donald, Birchip, Yarrawonga, Newstead and Gordon. Nominations were received from community groups that were assessed as meeting the program funding criteria. Site investigations were completed and work started on concept designs. Head lease agreements and design

Committed during
the year under the
Community Use of Vacant
Rail Buildings Program

\$3.6m



The Yarragon station building has been refurbished to house a community art gallery and local history space.

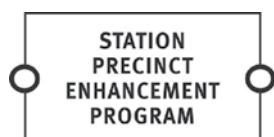
acceptance is anticipated by August 2014 with building works predicted to be completed by March 2015.

VicTrack completed a \$1 million initiative to restore the North Building at Ballarat railway station, which is listed on the Victorian Heritage Register. The project, funded under VicTrack's Heritage Program, involved demolishing a non-original part of the building, reconstructing an entrance portico, removing asbestos, a complex procedure to relocate cabling and work to the building facade. An additional \$250,000 funded the fit-out of the vacant half of the North Building, with a view to finding a commercial tenant in late 2014.

Maryborough station received a UNESCO Asia-Pacific Award for Cultural Heritage in October 2013, in recognition of the meticulous restoration of the station, largely funded by VicTrack. Maryborough was one of six projects worldwide – and the only one in Australia – to receive an Award of Merit. The judging panel noted the conservation interventions of the restoration work, which was carried out in two stages - \$1.8 million in 2007-2008 to upgrade the clock tower and station façade, and \$1.3 million in 2011, jointly funded with the then Department of Transport, to restore the historic verandah.

INTEGRATING TRANSPORT AND URBAN RENEWAL

Station Precinct Enhancement Program



The Station Precinct Enhancement Program (SPEP), being delivered by VicTrack, supports the Victorian Government's comprehensive

strategy for transport investment outlined in *Plan Melbourne*, which aims to shape Melbourne to 2050.

SPEP delivers improved and upgraded station precincts, funded from adjacent development. VicTrack takes a place making approach to developments, seeking ongoing input from local communities, station users and other stakeholders on their 'vision' for each precinct.

Significant progress was made on SPEP during the year, including the development of a pipeline of projects and the release of independent economic modelling that showed the benefit that SPEP will generate for the Victorian economy.

The flow-on benefits of the program include:

- facilitation of \$1 billion of investment opportunities to the private sector over the next three to five years
- \$5 billion in economic stimulus for Victoria
- more than 3,000 direct project jobs created and a further 5,000 indirect jobs throughout the construction period
- more than 800 full-time commercial and retail jobs after project completion

SPEP is a key part of *Plan Melbourne*, which advocates transit-oriented development as a key way to achieve employment and population growth and for generating a broad range of economic, social and environmental benefits.

SPEP delivers upgraded station precincts.

Economic stimulus from the Station Precinct Enhancement Program

\$5b



The IKON development at Glen Waverley was completed in late 2013.

The four current SPEP projects are:

Glen Waverley

Formal completion of the IKON development at Glen Waverley was achieved in late 2013, with residents moving into the apartments, office spaces and retail outlets progressively from early 2014.

The \$70 million development, on which VicTrack partnered with developer Consolidated Properties and builder Hutchinson, comprises 116 one and two-bedroom apartments, nine strata office suites and 1,000 square metres of retail space adjacent to Glen Waverley railway station.

The apartments were sold off the plan before launch and some have subsequently re-sold for \$100,000 above their initial purchase price in a sign of the high value placed on living close to public transport. The office spaces sold out in a buyer rush in just seven minutes when the project was launched in 2011.

The retail component is delivering valuable revenue to VicTrack, to fund the organisation and deliver progressive improvements to the public transport network.

PART TWO Outcomes Report

Delivering value to transport

Glen Waverley

Work on the station forecourt, funded by VicTrack from its share of the IKON profits, is scheduled for completion in August 2014. Builder Harris HMC is delivering the project.

Station users and local residents were consulted on the forecourt design, which incorporates improved disability compliant ramps, better public seating, a new entrance canopy and a new kiosk.

Jewell

The revitalisation of the Jewell station precinct in Brunswick as a safer and more vibrant community space moved closer during the year.

VicTrack's preferred private sector development partner is due to be announced in the third quarter of 2014. This follows a well-received expression of interest process in late 2013 and the selection of six shortlisted proponents, later reduced to three proponents following a request for proposal process. This asked developers to state how they would reflect the unique character of Brunswick in their development.

While Jewell station is of significant heritage value, the station precinct is rundown, with a large derelict building near the station and confused access and interaction for pedestrians, cyclists and pedestrians. VicTrack is pursuing a mixed-use development on approximately 1,800 square metres of land with transport benefits including a new station forecourt and improved commuter and bicycle access.

Hampton

VicTrack is partnering with the Department of Human Services to seek a preferred development partner for a bayside development site at Hampton, which comprises land owned by each agency.

This prime development opportunity was brought to market in March 2014 via an expression of interest process, with a strong field of high calibre submissions. This was reduced to six shortlisted proponents late in the financial year. A preferred development partner is expected to be announced in late 2014.

The development site comprises approximately 7,000 square metres of land located just 300-metres from the beach. The redevelopment projects will take under-utilised land and deliver new social and private housing,

commercial and retail premises and a new public plaza with spaces for use by the Hampton community.

Concepts for the development footprint will be in line with the Bayside City Council's Hampton Willis Street Urban Design Framework and the C103 Amendment to the Bayside Planning Scheme.

VicTrack conducted several community consultation sessions on the proposal during the year, gaining valuable input from local residents, traders and station users into the project.

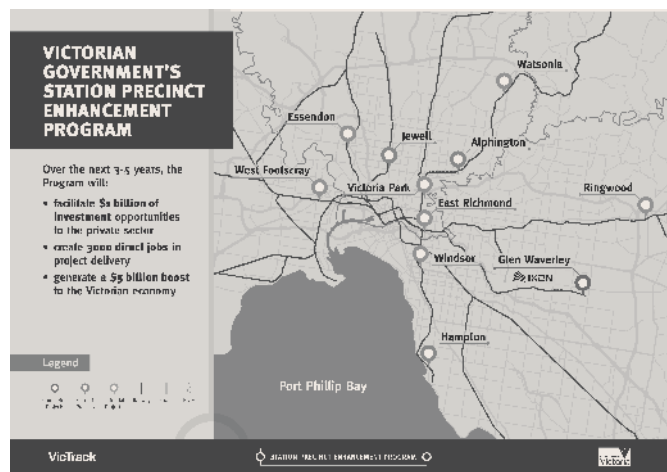
Alphington

VicTrack is looking to develop the Wingrove Street commuter car park at Alphington station, which would fund improvements to the station precinct.

Extensive community engagement was conducted throughout the year to inform the early stages of investigation into a medium-density development at the station. An expression of interest process for the site is expected to be released in the second half of 2014.

In the future

The pipeline of SPEP projects includes Essendon, Windsor, West Footscray, Victoria Park, East Richmond, Ringwood and Watsonia. Investigations into these projects will be carried out progressively over the next three to five years.



VicTrack has a pipeline of proposed projects in the Station Precinct Enhancement Program.

INTEGRATING TRANSPORT AND URBAN RENEWAL

Ballarat Station Masterplan

- The Ballarat Station Masterplan was completed in the second half of the financial year. VicTrack led the \$300,000 project, which developed a vision for the future of the Ballarat transport precinct over the next 50 years. The City of Ballarat, Regional Development Victoria and the Department of Transport, Planning and Local Infrastructure co-funded the project, which has delivered a plan for activating the station site by making use of vacant and derelict buildings, relocating car parking and reorganising the flow of traffic through the station precinct.

The Ballarat community, including residents, traders, commuters, community organisations, V/Line, councillors and council officers contributed to the development of the masterplan.

Land sales and leasing

- VicTrack worked with the Department of Treasury and Finance to simplify approvals for land sales. This has paved the way for more timely delivery of the sales program, which generates an important source of revenue for VicTrack. The new process will provide a clearly defined program for each financial year.

Major sales completed during the year included:

- the sale of land at Fyansford for \$1.8 million after successful negotiations with Adelaide Brighton Ltd to purchase the former cement works
- the transfer of a parcel of land in Wodonga Central being finalised between VicTrack and Places Victoria.
- land at Jacana was auctioned for \$730,000 and land at Keon Park was sold for \$700,000. Both sites were sold to private developers for residential and commercial use.

VicTrack restored the Ballarat station north building

\$1.25m



Ballarat railway station's North Building has been significantly upgraded.

- VicTrack will complete work in the second half of 2014 to the century-old building which was home to the former Caulfield City Rifle Club, to develop a café/restaurant. VicTrack's vision for the building complements upgrades to the Elsternwick Plaza to be completed by the City of Glen Eira, which has been granted a long-term lease over the adjoining parkland by VicTrack.
- VicTrack began early design work on a PTV and City of Kingston-funded project to upgrade the bus interchange at Moorabbin railway station. The project also includes improvements to the station.

VicTrack is also working with the City of Kingston and VicRoads on the Moorabbin Junction project. The council approached VicTrack following the adoption of the Moorabbin Activity Centre Structure Plan, which outlines short, medium and long-term plans for the precinct.

PART TWO Outcomes Report

Delivering value to transport

INTEGRATING TRANSPORT AND URBAN RENEWAL

Environmental management

As the largest titled landholder in Victoria, VicTrack has significant environmental management obligations.

- Asbestos audits and remediation works were completed at more than 60 sites in VicTrack's property portfolio as part of a rolling five-year program. VicTrack maintains an asbestos register and uses a risk matrix to assess the potential risk of asbestos found in its buildings and land.

The matrix assesses a site as high, medium or low-risk, depending on the location and condition of the asbestos and the use of the building. High risk sites are cleared immediately, medium risk sites within six months and low-risk sites are monitored and noted in the register.
- VicTrack completed more than 35 contaminated land site assessments to identify potential environmental or health risks resulting from historical land use or poor management practices. Sites where contamination is identified are investigated further, monitored and remediated where necessary in accordance with VicTrack's Contaminated Land Management Plan.
- VicTrack began environmental and geotechnical investigation works and provided strategic advice on behalf of other Victorian Government agencies for major development sites, including E-Gate, Frankston and Ballarat West.
- VicTrack has worked with Landcare Australia for the past decade to conserve fragments of some of Victoria's most threatened ecosystems, including plains grasslands. Some of the best preserved examples of these sites are within the more than 5,000 kilometres of railway reserve managed by VicTrack, where they have survived away from ploughs, fertilisers and exotic pasture plants.

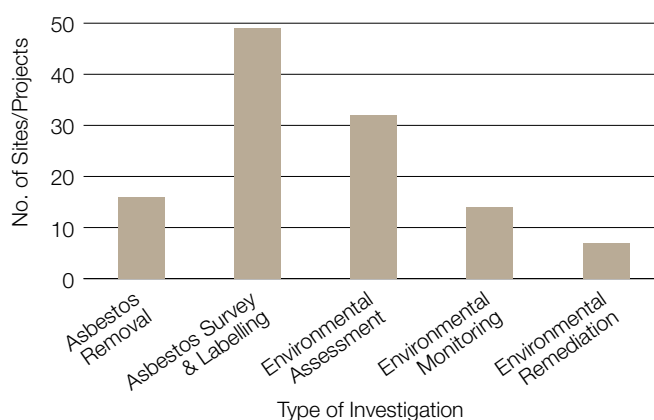
VicTrack and Landcare have partnered to rehabilitate, protect and enhance the ecological integrity of many of these sites.

With VicTrack funding, Landcare Australia uses its expertise to identify sites worthy of conservation work and engages community Landcare groups to complete the necessary restoration work. VicTrack develops management plans that support the conservation of these sites and preserve indigenous species.

In 2013-2014 VicTrack funded:

- a program of revegetation, weed control, seeding, interpretation, education and maintenance on the Bellarine Rail Trail. The Trail provides a continuous link of indigenous vegetation between Geelong and Queenscliff and contains significant remnant vegetation and supports diverse wildlife.
- pest and weed control and revegetation to increase the environmental value of the Cowangie Rail Reserve, which is a prominent area of native vegetation on the Mallee Highway. The property contains significant woodland species and native grasslands that are held in high regard at the local and regional level.
- Weed removal along Coltons Road, Minhamite, which contains basalt shrubby woodland vegetation. Very few remnants of this vegetation class remain, making the site vital for the long-term protection of the area. One of the main threats to its preservation is the incursion of exotic woody weeds, removal of which is a priority action.

ENVIRONMENTAL INVESTIGATIONS COMPLETED IN 2013-14



- VicTrack worked closely with the Regional Rail Link Authority and the Department of Environment and Primary Industries (DEPI) to secure a viable future for the Sunshine diuris (*diuris fragrantissima*) which grows wild in only one place worldwide, a parcel of land alongside the rail line in Sunshine in suburban Melbourne.

The three organisations have developed a long-term management plan for the orchid, which involves a range of initiatives, including strategic burns, hand weeding and pollination. Ownership of the 'Sunshine Triangle' where the 32 plants are found in a fenced site, will be transferred from VicTrack to DEPI at the conclusion of Regional Rail Link works in late 2014.

- VicTrack worked closely with Yarra Trams and the Environment Protection Authority (EPA) to find an innovative solution for disposing of 1600 cubic metres of wooden floor blocks from the Preston Tram Depot. The surplus blocks were heavily contaminated which meant they could not be burned nor disposed of in normal landfill. It could have cost up to \$2 million to dispose of the blocks in a manner acceptable to the EPA.

A monolithic waste diffusion or 'tank test' on the blocks looked at the rate of leaching while the blocks were submerged in water over a set period. The test was recommended by the EPA as more appropriate than other testing methods in Victoria. It is believed to be the first time a test of this kind was conducted in Victoria. Results showed low to non-detectable chemicals of concern, allowing the blocks to be taken to a landfill licensed to receive solid industrial waste, which achieved a significant saving on disposal costs.

VicTrack has worked
with Landcare Australia
for the past decade

Landcare



VicTrack funds work with Landcare groups to conserve fragments of threatened ecosystems.

- A \$25,000 closed circuit television project has helped reduce littering at a rubbish dumping 'hot spot' at Rockbank railway station. The cameras enable VicTrack to gather evidence that can be used in court. Installation of the cameras followed a trail at selected sites in conjunction with the EPA to monitor, and ideally prevent, rubbish dumping, which was costing VicTrack in excess of \$60,000 annually in clean-up and removal costs.

PART TWO Outcomes Report

Delivering value to transport

SUPPORTING EFFICIENT GOVERNMENT COMMUNICATIONS

Unified Communications

- VicTrack's Unified Communications (UC) platform, which uses the organisation's extensive fibre network, has placed the organisation at the forefront of providing smarter and more efficient communication technology to its public transport partners.

UC brings voice, video, instant messaging, mobile voice and data and other multi-media services together in one system. The integration of these business tools increases productivity and improves the way businesses access and share information.

V/Line, Metro Trains Melbourne and Yarra Trams are using UC technology in either a full capacity or as pilot projects in selected divisions supporting multiple customer sites. The Emergency Services Telecommunications Authority became VicTrack's first non-rail customer and is using UC for its head office (i.e. non-emergency call) communications. UC was also installed throughout VicTrack early in the financial year.

UC has made the Clinicians Online and TAFE video conferencing facilities possible and has allowed VicTrack to retire some of its PABX infrastructure.

Victorian Fibre Strategy

- The \$10 million Victorian Fibre Strategy (VFS) high-speed fibre link between Geelong and Warrnambool was formally launched early in the financial year by Premier Denis Naphthine. VicTrack laid fibre along 196 kilometres of rail corridor and installed communication huts at Terang, Warrnambool and Colac in a project funded by the Department of State Development and Business Innovation (DSDBI). VicTrack took on ownership and management of the fibre at project completion.

In addition to supporting the long-term growth of rail services in the region, the project was driven by the lack of competitive broadband services in Victoria's south west, particularly the lack of competitive backhaul in Warrnambool.

Backhaul in this context means that VicTrack can wholesale spare capacity along the VFS to telecommunications carriers. The cost and availability

Victorian
Fibre Strategy
196km of fibre

\$10m



Premier Denis Naphthine launched the Victorian Fibre Strategy.

of backhaul is often what affects the cost and breadth of the telecommunications services available in a regional market. By facilitating competition in backhaul, the VFS will make it more economical for telecommunications carriers to provide new, faster and/or cheaper fixed and mobile services.

Two companies – Aussie Broadband and the Nextgen Group – were selected following a call for collaboration from VicTrack and DSDBI that sought the interest of other government customers and telco service providers to use the link.

Aussie Broadband will use the fibre link to provide broadband services to Warrnambool, Terang and Colac. The Nextgen Group will use the fibre link to market wholesale services to retail telecommunications service providers.

South West TAFE was the first customer for high capacity broadband using the new fibre. VicTrack installed an additional 180-metres of fibre direct to the TAFE. Use of the link has provided the TAFE with

a 'metropolitan level' of service and offers economies of scale on pricing, speed, connectivity and service.

South West TAFE and Deakin University's Geelong and Warrnambool campuses have been able to offer video conferencing and improved teaching and research capability using VicTrack's UC services via the VFS.

Mobile phone coverage

- A project to deliver mobile phone coverage in the Melbourne Underground Rail Loop (MURL) was announced in June 2014 by the Premier, Denis Napthine.

VicTrack finalised negotiations with Optus, Vodafone and Telstra late in the financial year, paving the way for the installation of Optus infrastructure onto VicTrack's Distributed Antenna System (DAS) in the MURL. VicTrack has the fibre and power infrastructure necessary for the project, which it has progressively installed in the MURL during recent years.

Installing Optus' equipment onto the DAS will provide the signal throughout the MURL and will support all three mobile carriers to deliver communications services.

Phase one will deliver 3G coverage by the end of 2014 and phase two will deliver 4G coverage in late 2015.

- VicTrack has worked with Regional Development Victoria, DSDBI, PTV and V/Line on a project to conduct detailed measurement of mobile phone coverage along regional commuter rail lines and investigate options for improving coverage. Early data showed alignment between blackspots and VicTrack's telecommunications tower assets. VicTrack will work with all parties to help deliver a solution.

Delivering 3G
and 4G coverage
in the Melbourne
Underground Rail Loop

3G & 4G

Telecommunications improvements

- VicTrack's test facility, at its Dockland headquarters, has been used throughout the year to reproduce faults to trial and configure equipment and also to determine the source of a problem and to solve issues. This testing ensures improved customer service to VicTrack's partners.
 - VicTrack's cloud computing solution allows customers to add and subtract storage as required and has the important data protection benefits of all information being stored within Victoria. Three customers, the Department of Justice, the TAFE sector and the Victorian Building Authority, are now using VicTrack's cloud technology.
 - The agreement for the provision of services supporting the intra-Government Secure Network was extended for two years following a review that assessed comparable market pricing.
 - VicTrack prepared a transition plan for moving frequencies within the 400 megahertz spectrum (MHZ). This was mandated by the Australian Communications and Media Authority and affects all rail mobile systems and customers including MTM, V/Line, Yarra Trams and PTV.
- VicTrack has sub-licensed another part of its spectrum, in the 5MHZ range to recoup some of the \$5 million purchase cost.
- VicTrack completed the installation of new in-cab radio communication equipment in four Aurizon locomotives. The equipment 'talks' to the Australian Rail Track Corporation's National Train Control System.
 - VicTrack became only the second organisation in Australia to implement a Hitachi high availability solution for data storage. A three-month project saw the successful transfer of all systems and applications to new storage and servers. This work was fundamental to supporting the organisation's operations and protects against data corruption.

PART THREE Statutory and Financial Reporting

Corporate governance

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

BOARD ROLE AND RESPONSIBILITIES

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

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

Each subsidiary company within the Rolling Stock Holdings group of companies also has 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 VicTrack's Chief Executive.

BOARD COMPOSITION

At year end, the Board comprised seven independent, non-executive Directors: Bob Annells (Chair), Yehudi Blacher (Deputy Chair), Sam Andersen, Brian Bulluss, David Hunter, Jenny Roche and Michael Trumble.

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 monthly, other than in January.

BOARD PERFORMANCE

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

DECLARATION OF PECUNIARY INTERESTS

All Directors and nominated officers complete an annual declaration of pecuniary interests. 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 DTPLI.

DELEGATION TO MANAGEMENT

Day-to-day management of VicTrack is delegated to the Chief Executive and other senior managers pursuant to a formal empowerment (delegations) policy. This policy is reviewed annually by the Board.

BOARD COMMITTEES

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

At year end, the members of the standing committees and the advisory panel were:

- **Audit and Risk Management Committee** – Sam Andersen (Chair), Yehudi Blacher (retired from the committee on 22 May 2014), Brian Bulluss and Jenny Roche.
- **Remuneration and Human Resources Committee** – Bob Annells (Chair) and all other Directors.
- **Property and Environment Committee** – David Hunter (Chair), Michael Trumble and Yehudi Blacher (retired as Chair on 22 May 2014).
- **Telecommunications Committee** – Jenny Roche (Chair) and Brian Bulluss.
- **Freight Logistics Committee** – Yehudi Blacher (Chair), Bob Annells and David Hunter. A member of Freight Logistics and Marine attends meetings. This committee was established on 22 May 2014. No meeting was held during the financial year, with the first meeting scheduled for August 2014.
- **Heritage Advisory Panel** – David Hunter (Chair), Sam Andersen, Dimity Reed, a heritage architect, and Martin Zweep, a representative from Heritage Victoria.

CORPORATE PLAN

VicTrack is required, under the *Transport Integration Act 2010* and the *State Owned Enterprises Act 1992*, to prepare a Corporate Plan for Ministerial approval. The purpose of the plan is to establish the framework for business strategies and performance monitoring, to be agreed between the Board, the Minister for Public Transport and the Treasurer. The Corporate Plan is prepared annually and covers a three-year period starting from the current financial year. In 2014 VicTrack took a new approach to corporate planning, using the Balanced Scorecard approach.

MINISTERIAL DIRECTIONS AND ORDERS IN COUNCIL

During the reporting period, four Orders in Council were given to the VicTrack Board by the Minister for Public Transport.

The Orders consented to the surrender of land vested in VicTrack to the Crown.

Board and Committee meetings

Member	Board	Audit and Risk Management Committee	Property and Environment Committee	Telecommunications Committee	Remuneration and Human Resources Committee
Bob Annells	10	-	-	-	3
Yehudi Blacher*	9	4	5	-	2
Jenny Roche**	10	2	-	5	3
Sam Andersen	11	6	-	-	3
David Hunter	10	-	5	-	3
Brian Bulluss	8	4	-	5	2
Michael Trumble	10	-	5	-	3
Total number of meetings	11	6	5	5	3

* Retired from the Audit and Risk Management Committee on 22 May 2014

** Appointed to the Audit and Risk Management Committee on 22 May 2014

PART THREE Statutory and Financial Reporting

Corporate governance

ENTERPRISE RISK MANAGEMENT

VicTrack recognises there is inherent uncertainty tied to its activities, but through the application of effective risk management the organisation can understand the context of that uncertainty and adopt strategies to both protect and create opportunity.

The Board and management are committed to identifying and appropriately managing this uncertainty and the resulting risk. The Board 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 Program, founded on a framework that meets international best practice. VicTrack conducts regular reviews of identified risks and controls to ensure risk is appropriately mitigated.

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

RISK MANAGEMENT COMPLIANCE ATTESTATION

I, Bob Annells, Chairman, certify that VicTrack has risk management processes in place consistent with AS/NZS ISO 31000:2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Audit and Risk Management Committee verifies this assurance and that VicTrack's risk profile has been critically reviewed within the last 12 months.



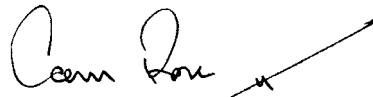
Bob Annells PSM

Chair
Victorian Rail Track (VicTrack)

22 August 2014

MINISTERIAL STANDING DIRECTION 4.5.5.1 COMPLIANCE ATTESTATION

I, Campbell A. Rose, Chief Executive of VicTrack, certify that VicTrack has complied with Ministerial Direction 4.5.5.1 – Insurance.



Campbell A. Rose
Chief Executive
VicTrack

22 August 2014

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, which requires agencies to make datasets or databases accessible for public use unless needing to be restricted for reasons of privacy, public safety, security and law enforcement, public health and compliance with the law, VicTrack has neither released, nor identified for release, any dataset or database.

STATUTORY FRAMEWORK

Victorian Rail Track (VicTrack) is a statutory corporation governed by the *Transport Integration Act 2010* (TIA). It is a state business corporation under the *State Owned Enterprises Act 1992*.

The TIA requires all Victorian transport agencies, including VicTrack, to work together towards the common goal of an integrated and sustainable transport system.

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

VicTrack has a direct reporting line to the Minister for Public Transport as well as to the Treasurer.

ENGAGEMENT OF CONSULTANTS

During 2013-14, VicTrack commissioned seven consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2013-14 in relation to these consultancies is \$529,549 (excl. GST). Details of individual consultancies are outlined on page 100.

In 2013-14, there were no consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000.

DISCLOSURE OF MAJOR CONTRACTS

VicTrack has disclosed, in accordance with the requirements of government policy and accompanying guidelines, all contracts greater than \$10 million in value which it entered into during the year ended 30 June 2014. Details of contracts that have been disclosed in the Victorian Government contracts publishing system can be viewed on the internet at www.contracts.vic.gov.au

Contractual details have not been disclosed for those contracts for which disclosure is exempted under the *Freedom of Information Act 1982* and/or government guidelines.

COMPLIANCE WITH THE BUILDING ACT 1993

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

OCCUPATIONAL HEALTH AND SAFETY

The goal of VicTrack's occupational health and safety strategy is to ensure all staff remain safe and healthy at work. During the 2013-14 financial year, VicTrack developed several initiatives to improve the health and safety of staff, including ergonomic assessments, the provision of health and wellbeing information and testing, influenza vaccinations and support for staff participating in corporate fitness programs.

There were three reported lost time injuries during the year, each resulting in the affected worker losing the equivalent of one full shift.

VicTrack's Health and Safety Strategy was reviewed during the year. It was determined that the progressive roll-out timeframe be extended to a three-year period from 2013-16.

PART THREE Statutory and Financial Reporting

Statutory information

EMPLOYMENT AND CONDUCT PRINCIPLES

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

PUBLIC ADMINISTRATION VALUES AND EMPLOYMENT PRINCIPLES

The Victorian Government established the Victorian Public Sector Commission (VPSC) replacing the State Services Authority, with effect from 1 April 2014. VicTrack continues to implement the directions of the VPSC (and former SSA) with respect to fostering public sector professionalism and integrity, upholding public sector conduct, managing and valuing diversity, managing under-performance, reviewing personal grievances and selecting on merit.

FREEDOM OF INFORMATION

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

This year, VicTrack received seven valid requests for access to documents under the Fol Act, and finalised one request from the previous year. Of these requests, two were from Members of Parliament, one was from a media organisation and the remainder were from the general public.

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

Decisions on requests	
Request referred to other department (pursuant to s18 of the Fol Act)	1
Access granted	2
Access refused	0
Documents requested do not exist	1
Documents not located	0
Total decisions on requests 2013-14	4
Applicant did not proceed	1
Not finalised	2
Withdrawn	1
Total decisions on requests 2013-14	4

Reviews of decisions	
Internal reviews	0
Reviews by Fol Commissioner	0

Complaints	
Complaints to Fol Commissioner	0
Complaints to VCAT	0

Access to documents may be obtained through a written request to the Freedom of Information Officer. In summary, the requirements for making a request are:

- it should be in writing
- it should identify as clearly as possible which document is being requested
- it should be accompanied by the appropriate application fee (\$25.70, which may be waived in certain circumstances).

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 shares held by a senior officer as nominee or held beneficially in VicTrack or a subsidiary
- c) details of publications produced by VicTrack itself and where they can be obtained
- d) details of changes in price, fees, charges, rates and levies charged by VicTrack
- e) details of any major external reviews carried out on VicTrack
- f) details of major research and development activities undertaken by VicTrack
- g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- h) details of major promotional, public relations and marketing activities undertaken by VicTrack to develop community awareness of VicTrack and its services
- i) details of assessments and measures undertaken to improve the occupational health and safety of employees
- j) a general statement on industrial relations within VicTrack and details of time lost through industrial accidents and disputes
- k) a list of major committees sponsored by VicTrack, the purposes of each committee and the extent to which the purposes have been achieved
- l) details of all consultancies and contractors, including consultants/contractors engaged, services provided and expenditure committed to for each engagement.

The information is available on request from the Company Secretary at the address on page 30.

NATIONAL COMPETITION POLICY

Under the National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs
- the objectives of the legislation can only be achieved by restricting competition.

Victoria is party to the inter-governmental Competition Principles Agreement (CPA), under which each state and territory is obliged to introduce and apply competitive neutrality policy and principles. Clause 3(1) of the CPA sets out the objective of competitive neutrality as 'the elimination of resource allocation distortions arising out of the public ownership of entities engaged in significant business activities'. DTF issued the current Victorian Government's policy in September 2012. The Victorian Competition and Efficiency Commission (VCEC) is responsible for administering the Policy.

VicTrack's processes and involvement in Victoria's telecommunications market has recently been independently reviewed in relation to compliance with Victoria's Competitive Neutrality Policy. The key finding of the review in relation to VicTrack's Telco business was that its processes for price determination are consistent with the Policy and guidance.

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

The infrastructure leases with PTV provide for open access to Victoria's rail infrastructure. PTV 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 the Dynon Rail Freight Terminal. Critical rail facilities fall within the Victorian Rail Access Regime and others compete on a commercial basis.

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

PART THREE Statutory and Financial Reporting

Statutory information

THE VICTORIAN INDUSTRY PARTICIPATION POLICY

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

During 2013-14 VicTrack:

- commenced and/or completed 8 contracts totalling \$20,074,432
- commenced 0 contracts with a total of 0% per cent estimated to be of local content to which a VIPP Plan was not required as the procurement activity was local by nature
- commenced 0 contracts with a total of 0% per cent estimated to be of local content for which a VIPP Plan was not required as the procurement activity was international by nature.

During 2013-14:

- 0 small to medium sized business prepared a VIPP Plan
- 0 contracts were commenced and/or completed, for which a VIPP Plan was required, occurred in metropolitan Melbourne, representing 0% per cent of estimated local content
- 8 contracts were commenced and/or completed, for which a VIPP Plan was required, occurred in regional Victoria, representing average of 73.5 per cent of estimated local content.

The total VIPP Plan commitments achieved as a result of contracts commenced:

- local content of 74 per cent of the total value of the contracts
- 12 new jobs and 75 retained jobs (Annualised Employee Equivalent (AEE))
- 1 new apprenticeships/traineeships and 2 retained apprenticeships/traineeships.

The total VIPP Plan commitments achieved as a result of contracts completed:

- local content of 71 per cent of the total value of the contracts
- 0 new jobs and 10 retained jobs (AEE)
- 0 new apprenticeships/traineeships and 0 retained apprenticeships/traineeships.

COMPLIANCE WITH THE PROTECTED DISCLOSURE ACT 2012 (FORMERLY THE WHISTLEBLOWERS PROTECTION ACT 2001)

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

VicTrack does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

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

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

- the Protected Disclosure Coordinator
- the Chief Executive
- a Protected Disclosure Officer
- a manager or supervisor of a VicTrack employee who chooses to make a disclosure
- a manager or supervisor of a VicTrack employee about whom a disclosure has been made

Alternatively, disclosures of improper conduct or detrimental action by VicTrack or any of its employees and/or officers may also be made directly to the Independent Broad-based Anti-corruption Commission:

**Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000**

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

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

Financial performance

PARENT ENTITY

The parent entity VicTrack recorded an operating profit before tax and depreciation of \$44.1 million for the 2013–2014 financial year and had a net cash inflow from operating activities of \$56.2 million.

The depreciation charge for the parent entity VicTrack reflects usage of major infrastructure assets for public transport purposes. The depreciation charge from 2011–2012 reflects the fair valuation of assets at 30 June 2011. While the depreciation charge 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 past five years:

Financial Summary VicTrack	2014 \$m	2013 \$m	2012 \$m	2011 \$m	2010 \$m
Total Revenue	168.3	163.1	194.5	277.0	245.3
Total Operating Expenditure	(124.2)	(103.1)	(85.9)	(65.7)	(70.4)
Net Profit/(Loss) before Income Tax & Depreciation	44.1	60.0	108.6	211.3	174.9
Depreciation Charge	(482.0)	(394.6)	(417.9)	(193.4)	(156.7)
Net Cash Inflow from Operating Activities	56.2	36.4	79.3	79.1	110.2
Total Assets (Note from 2011 is Fair Value)	22,300.1	20,769.2	19,409.7	18,399.2	8,433.6
Total Liabilities	(2,589.7)	(2,693.2)	(2,818.3)	(3,000.8)	(282.1)
Net Assets	19,710.4	18,076.0	16,591.4	15,398.4	8,151.5
Total Staff (Full and Part Time)	307.0	289.0	302.0	266.0	241.0

The increase in net assets over the period reflects the Government's investment in state public transport and support service assets, as well as the change in asset valuation to fair value.

Notes:

1. The application of AASB1049 to VicTrack in 2011 required all assets to be reported at fair value. Prior to this only land was reported at fair value and all other assets at historical cost.

PART THREE Statutory and Financial Reporting

Financial performance

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 from 2012 is mainly attributable to the increased depreciation charge resulting from the fair valuation of assets at 30 June 2011.

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

Financial Summary Consolidated Entity	2014 \$m	2013 \$m	2012 \$m	2011 \$m	2010 \$m
Total Revenue	320.9	319.8	358.1	427.5	405.9
Total Operating Expenditure	(201.6)	(186.8)	(175.9)	(155.1)	(170.7)
Net Profit/(Loss) before Income Tax & Depreciation	119.3	133.0	182.2	272.4	235.2
Depreciation Charge	(596.9)	(504.1)	(519.2)	(295.3)	(248.2)
Net Cash Inflow from Operating Activities	129.1	107.6	151.2	138.1	168.4
Total Assets (Note from 2011 is Fair Value)	25,738.7	24,183.4	22,695.6	21,540.4	10,465.8
Total Liabilities	(3,621.4)	(3,832.6)	(4,043.8)	(4,296.1)	(1,346.5)
Net Assets	22,117.3	20,350.8	18,651.8	17,244.3	9,119.0
Total Staff	307.0	289.0	302.0	266.0	241.0

The increase in net assets for the Consolidated Entity reflects the Government's investment in state public transport and support service assets and new rolling stock for the public transport system, as well as the change in asset valuation to fair value.

Notes:

1. The application of AASB1049 to VicTrack in 2011 required all assets to be reported at fair value. Prior to this only land was reported at fair value and all other assets at historical cost.

INDEPENDENT Auditors' Report

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Rail Track

The Financial Report

The accompanying financial report for the year ended 30 June 2014 of Victorian Rail Track which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration by chair, accountable officer and chief finance and accounting officer has been audited. The financial report includes the consolidated financial statements of the economic entity, comprising Victorian Rail Track and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 18 to the financial statements.

The Board Members' Responsibility for the Financial Report

The Board Members of Victorian Rail Track are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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 judgment, 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 Victorian Rail Track and the consolidated entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

INDEPENDENT Auditors' Report

Independent Auditor's Report (continued)

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.


Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Rail Track and the economic entity as at 30 June 2014 and of their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Victorian Rail Track for the year ended 30 June 2014 included both in Victorian Rail Track's annual report and on the website. The Board Members of Victorian Rail Track are responsible for the integrity of Victorian Rail Track's website. I have not been engaged to report on the integrity of Victorian Rail Track's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
26 August 2014



John Doyle
Auditor-General

STATUTORY Statement

DECLARATION BY CHAIR, ACCOUNTABLE OFFICER AND CHIEF FINANCE AND ACCOUNTING OFFICER

30 June 2014

We certify that the attached financial report for Victorian Rail Track (as an individual entity and the consolidated entity comprising Victorian Rail Track and its subsidiaries) 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 Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2014 and the financial position of Victorian Rail Track and the consolidated entity as at 30 June 2014.

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

We authorise the attached financial statements for issue on 19th August 2014.



Bob Annells

Chair

Dated 19th August 2014



Campbell A. Rose

Chief Executive

Dated 19th August 2014



Leo Felicissimo

Finance Manager

Dated 19th August 2014

COMPREHENSIVE Operating Statement

for the year ended 30 June 2014

	Note	Consolidated		Parent	
		2014	2013	2014	2013
		\$000	\$000	\$000	\$000
CONTINUING OPERATIONS					
Income from transactions:					
Telecommunications services		53,935	55,188	53,935	55,188
Property-related income		28,757	24,083	28,757	24,083
Services received free of charge		17,900	-	17,900	-
Government contributions towards capital and related works		146,119	161,997	24,280	36,233
Other income	2	74,204	78,503	43,449	47,597
Capital assets charge		1,524,425	1,421,214	1,524,425	1,421,214
Total income from transactions		1,845,340	1,740,985	1,692,746	1,584,315
Expenses from transactions:					
Employee benefits expense	3a	35,107	34,025	35,107	34,025
Depreciation and amortisation expense	3b	596,913	504,109	482,003	394,556
Finance costs		77,353	83,599	-	-
Capital assets charge		1,524,425	1,421,214	1,524,425	1,421,214
Supplies and services expense	3c	52,799	31,779	52,799	31,779
Other operating expenses	3d	36,399	37,385	36,291	37,339
Total expenses from transactions		2,322,996	2,112,111	2,130,625	1,918,913
Net result from transactions (net operating balance)		(477,656)	(371,126)	(437,879)	(334,598)
Other economic flows included in net result					
Net gain/ (loss) from non-financial assets		4,898	4,357	4,898	4,357
Total other economic flows included in net result		4,898	4,357	4,898	4,357
Net result from continuing operations before income tax		(472,758)	(366,769)	(432,981)	(330,241)
Tax equivalent (expense)/ benefit	14a	162,821	110,085	130,034	99,126
Net result		(309,937)	(256,684)	(302,947)	(231,115)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET RESULTS					
Other economic flows – Other comprehensive income					
Changes in physical asset revaluation surplus	12	(7,970)	(9,157)	(7,970)	(10,783)
Total other economic flows – other comprehensive income		(7,970)	(9,157)	(7,970)	(10,783)
Comprehensive result		(317,907)	(265,841)	(310,917)	(241,898)

The Comprehensive Operating Statement should be read in conjunction with the accompanying notes to the financial statements.

BALANCE Sheet

as at 30 June 2014

		Consolidated		Parent	
	Note	2014 \$000	2013 \$000	2014 \$000	2013 \$000
ASSETS					
Financial assets					
Cash and deposits	4	36,978	24,696	36,060	23,053
Other financial assets	5	100	100	-	-
Trade and other receivables	6	35,066	23,482	160,943	150,215
Total financial assets		72,144	48,278	197,003	173,268
Non-financial assets					
Prepayments		2,243	865	2,243	865
Property, infrastructure, plant and equipment	7(a)	25,600,887	24,070,852	22,100,849	20,595,067
Intangible asset	1(k) (viii)	63,417	63,417	-	-
Total non-financial assets		25,666,547	24,135,134	22,103,092	20,595,932
TOTAL ASSETS		25,738,691	24,183,412	22,300,095	20,769,200
LIABILITIES					
Trade and other payables	8	45,247	24,844	44,180	23,810
Provisions	9	20,082	13,742	20,082	13,742
Borrowings	10	845,245	920,400	1,654	1,778
Deferred tax liability	14f	2,710,840	2,873,665	2,523,786	2,653,821
TOTAL LIABILITIES		3,621,414	3,832,651	2,589,702	2,693,151
NET ASSETS		22,117,277	20,350,761	19,710,393	18,076,049
EQUITY					
Contributed capital	11	13,688,167	11,603,744	11,956,023	10,010,763
Physical asset revaluation surplus	12	8,823,127	8,831,097	8,174,358	8,182,328
Retained profits/ (Accumulated losses)		(394,017)	(84,080)	(419,988)	(117,042)
NET WORTH		22,117,277	20,350,761	19,710,393	18,076,049

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

STATEMENT of Changes in Equity

for the year ended 30 June 2014

	Note	Contributed equity \$000	Physical Asset revaluation surplus \$000	Retained profits/ (Accumulated losses) \$000	Total equity \$000
CONSOLIDATED					
2014					
Balance at 1 July 2013		11,603,744	8,831,097	(84,080)	20,350,761
Net result for the year		-	-	(309,937)	(309,937)
Other comprehensive income/ (expense) for the year		-	(7,970)	-	(7,970)
Total comprehensive result for the year		-	(7,970)	(309,937)	(317,907)
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	2,084,423	-	-	2,084,423
Capital returned during the year	11	-	-	-	-
Balance at 30 June 2014	11	13,688,167	8,823,127	(394,017)	22,117,277
2013					
Balance at 1 July 2012	11	9,638,964	8,841,880	170,978	18,651,822
Net result for the year		-	-	(256,684)	(256,684)
Other comprehensive income/ (expense) for the year	12	-	(10,783)	1,626	(9,157)
Total comprehensive result for the year		-	(10,783)	(255,058)	(265,841)
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	1,964,780	-	-	1,964,780
Capital returned during the year	11	-	-	-	-
Balance at 30 June 2013	11	11,603,744	8,831,097	(84,080)	20,350,761

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

	Note	Contributed Capital \$000	Physical Asset revaluation surplus \$000	Retained profits/ (Accumulated losses) \$000	Total equity \$000
PARENT					
2014					
Balance at 1 July 2013		10,010,763	8,182,328	(117,042)	18,076,049
Net result for the year		-	-	(302,947)	(302,947)
Other comprehensive income/ (expense) for the year	12	-	(7,970)	-	(7,970)
Total comprehensive result for the year		-	(7,970)	(302,947)	(310,917)
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	1,945,260	-	-	1,945,260
Capital returned during the year	11	-	-	-	-
Balance at 30 June 2014	11	11,956,023	8,174,358	(419,988)	19,710,393
2013					
Balance at 1 July 2012	11	8,284,196	8,193,111	114,073	16,591,380
Net result for the year		-	-	(231,115)	(231,115)
Other comprehensive income/ (expense) for the year	12	-	(10,783)	-	(10,783)
Total comprehensive result for the year		-	(10,783)	(231,115)	(241,898)
Transactions with owners in their capacity as owners:					
Contributions by owners during the year	11	1,726,568	-	-	1,726,568
Capital returned during the year	11	-	-	-	-
Balance at 30 June 2013	11	10,010,763	8,182,328	(117,042)	18,076,049

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

CASH Flow Statement

for the year ended 30 June 2014

		Consolidated		Parent	
	Note	2014 \$000	2013 \$000	2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts		288,305	322,102	125,266	145,174
Interest received		1,320	1,331	1,295	1,287
Receipts from the Victorian Government for:					
- capital assets charge (*)		1,524,425	1,421,214	1,524,425	1,421,214
- capital and related works (inclusive of GST) and termination payments		27,942	15,853	27,942	15,853
Total receipts		1,841,991	1,760,499	1,678,928	1,583,527
Payments					
Suppliers (inclusive of GST) and employees		(97,655)	(133,956)	(91,934)	(123,611)
Borrowing costs paid		(85,161)	(92,057)	(73)	(98)
Capital assets charge (*)		(1,524,425)	(1,421,214)	(1,524,425)	(1,421,214)
Goods and services tax paid to the ATO		(5,615)	(5,628)	(6,263)	(2,242)
Total payments		(1,712,856)	(1,652,855)	(1,622,695)	(1,547,165)
Net cash flows from /(used in) operating activities	13(d)	129,135	107,644	56,233	36,362
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from/(payments for):					
Investments		-	-	-	-
Payment for assets acquired using government capital contributions		(2,084,423)	(1,964,780)	(1,945,260)	(1,726,568)
Acquisition of property, plant & equipment		(48,124)	(59,652)	(48,124)	(59,652)
Sale of property, plant & equipment		4,898	4,357	4,898	4,357
Net cash from /(used in) investing activities		(2,127,649)	(2,020,075)	(1,988,486)	(1,781,863)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds/(payments) for:					
Government capital contributions		2,084,423	1,964,780	1,945,260	1,726,568
Borrowings		(73,627)	(71,360)	-	-
Net cash flows from / (used in) financing activities		2,010,796	1,893,420	1,945,260	1,726,568
Net increase/(decrease) in cash held and cash equivalent		12,282	(19,011)	13,007	(18,933)
Cash and cash equivalent at the beginning of the financial year		24,696	43,707	23,053	41,985
Cash and cash equivalent at the end of the financial year		36,978	24,696	36,060	23,053

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

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

NOTES to the Financial Statement

30 June 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements represent the audited general purpose financial statements for Victorian Rail Track for the period ending 30 June 2014. The purpose of the report is to provide users with information about Victorian Rail Track's stewardship of resources entrusted to it.

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' report.

(a) Statement of compliance

These general purpose financial statements have been prepared on a historical cost basis, unless otherwise stated in the notes to the financial statements, in accordance with the *Financial Management Act 1994*, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board. The entity is a not-for-profit entity for reporting purposes under Australian Accounting Standards and *Financial Reporting Direction 108A*.

The financial statements of Victorian Rail Track ("the Consolidated Entity") for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 19th of August 2014.

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.

This report has been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

Exceptions to the historical cost convention include:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;

- Infrastructure assets, which are carried at fair value based on depreciated replacement cost.

(b) Basis of accounting preparation and measurement

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

(i) Significant accounting estimates and judgements

In the application of the Consolidated Entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following significant judgements and estimates have been made by management in the preparation of the financial statements:

(ii) Land Valuation

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

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

NOTES to the Financial Statement

30 June 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of accounting preparation and measurement

(ii) Land Valuation

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

(iii) Non-financial physical assets

In addition to land, all non-financial physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of FRD103E Non-Current Physical Assets. The fair value was determined on the basis of depreciated replacement cost. The impairment analysis on non-financial physical assets has been carried out annually since with no impairment noted.

The last independent valuation of non-financial physical assets was at 30 June 2011.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation surplus except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised in profit and loss up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments.

(iv) Estimation of useful lives

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

(v) Operating lease commitments – Group as lessor

The Group has entered into leases on its rolling stock. The Group has determined that it retains substantially all the significant risks and rewards of ownership of the rolling stock primarily as the lease does not transfer ownership of the asset to the lessee at the end of the lease term. Thus the Group has classified the leases as operating leases.

(vi) Finance lease commitments – Group as lessee

The Group has entered into leases for the acquisition of its rolling stock and determined that as substantially all the risks and benefits transfer to the consolidated entity, the leases are finance leases.

(vii) Recovery of deferred tax assets

Deferred tax assets with respect to deductible temporary differences and tax losses have been recognised in the Statement of financial position to the extent of offsetting deferred tax liabilities recognised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

The 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 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.

The following significant accounting policies have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented for the year ended 30 June 2013.

(c) Reporting entity

Victorian Rail Track ("the consolidated entity") is a public statutory body established under section 8 of the *Rail Management Act 1996* and continued in existence under section 116 of the *Transport Integration Act 2010*.

Its principal address is:

Level 8, 1010 La Trobe Street
Docklands Victoria 3008

(d) Scope and presentation of financial statements

(i) Comprehensive Operating Statement

Income and expenses in the Comprehensive Operating Statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of financial statements*.

'Transactions' and 'other economic flows' are defined by the Australian system of government finance statistics: concepts, sources and methods 2005 Cat. No. 5514.0 published by the Australian Bureau of Statistics.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal. The net result is equivalent to profit or loss derived in accordance with Australian Accounting Standards.

(ii) Balance Sheet

Assets and liabilities are presented in liquidity order with assets aggregated into, financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

(iii) Statement of changes in equity

The Statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

(iv) Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of cash flows*.

(v) New and amended standards adopted by the group

The consolidated entity has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2013:

- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle and
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and financial liabilities

NOTES to the Financial Statement

30 June 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Scope and presentation of financial statements

(v) New and amended standards adopted by the group

The adoption of the above-named standards did not have a material impact on the consolidated entity's financial statements for the 30 June 2014 financial year except for the following:

The consolidated entity has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other A-IFRS require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 Share-based Payment, leasing transactions that are within the scope of AASB 17 Leases, and measurements that have some similarities to fair value but not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an

orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the consolidated entity has not made any new disclosures required by AASB 13 for the 2013 comparative period (please see note 7).

Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the financial statements.

In the current year, the consolidated entity has applied AASB 119 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. This change has no impact on the consolidated entity because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as

(\$ thousand)			
2012-13			
Decrease in employee expenses			(30)
(\$ thousand)			
	As at 1 July 2012 as previously reported	AS SB 119 adjustments	As at 1 July 2012 (restated)
Current employee benefit provision – Annual leave	2,654	21	2,675
Retained profits	114,073	(21)	114,052
	As at 1 July 2013 as previously reported	AA SB 119 adjustments	As at 1 July 2013 (restated)
Current employee benefit provision – Annual leave	2,988	30	3,018
Retained profits	(117,042)	(30)	(117,072)

they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.

In addition, AASB 119 also changes the definition of short-term employee benefits. These were previously benefits that were due to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by the consolidated entity as short-term benefits no longer meet this definition and are now classified as long-term benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis.

Comparative amounts for 2013 and the related amounts as at 1 July 2013 are shown in the table below in accordance with the relevant transitional provisions set out in AASB 119. The impact is immaterial and comparative amounts have not been restated.

(e) 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 2014 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".

(i) Controlled entities

Controlled entities are all entities over which the VicTrack has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. Where control of an entity is obtained during a financial year, its results are included in the consolidated Comprehensive 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.

Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent entity.

(ii) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

(f) Income from transactions

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

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

Income is recognised for the major business activities as follows:

(i) Rendering of services

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

(ii) Leasehold Improvements

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

(iii) Government contributions

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

(iv) Interest income

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

NOTES to the Financial Statement

30 June 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(f) Income from transactions

(iv) Interest income

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

(v) Assets received free of charge or for nominal consideration

Rolling stock received free of charge is recognised at its fair value at the time of acquisition.

(vi) Proceeds from asset sales

Proceeds from asset sales are recognised at the time the asset is sold.

(g) Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

(i) Employee expenses

Refer to section 1(l) (iii) regarding employee benefits.

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

(ii) Superannuation

The amount charged to the Comprehensive 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 15.

(iii) Depreciation and amortisation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are

depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's fair value, less any estimated residual value, over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. The range of depreciation rates used for each class of asset is as follows:

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight-line) basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. On the other hand, the consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation. Consequently, the amortisation is included as an other economic flow in the net result. Intangible assets with indefinite useful lives are not depreciated or amortised, but are tested annually for impairment.

Asset Class	Depreciation Rates	Useful life
Building structures	1.0% to 2.5%	100 to 40 years
Track	1.0% to 2.0%	100 to 50 years
Signals and Communications	3.0% to 3.3%	33 to 30 years
Plant and equipment	2.5% to 10%	40 to 10 years
Software and licences	3.0% to 14%	33 to 7 years
Rolling stock	3.0% to 3.3%	33 to 30 years

The above rates are the same as those applied in the previous financial year.

(iv) Finance Cost – Interest expense

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

(v) Finance Cost – 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 paragraphs of AASB 123 *Borrowing costs* applicable to not-for-profit public sector entities, the Consolidated Entity continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

(vi) Supplies and services

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

(vii) Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations.

(viii) 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 Comprehensive Operating Statement, meaning that there is no impact on the operating result for the year, nor on the Balance Sheet as at 30 June 2014.

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*.

(h) 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 2013-14, but limited to the income tax component of the NTER.

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

The carrying amount of deferred tax assets are reassessed at the end of each reporting period 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 the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

NOTES to the Financial Statement

30 June 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Impairment of assets

The Consolidated Entity assesses at the end of each reporting period whether there is an indication that its asset with the exception of goodwill and deferred tax assets 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. An asset's value in use is its depreciated replacement cost as the consolidated entity's principal objective is not the generation of profit. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Financial assets

(i) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade date i.e., the date that the Consolidated Entity commits to the asset.

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

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

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

(ii) Cash and deposits

Cash and deposits in the Balance Sheet comprise of cash at bank and term deposits with maturity greater than three months are recorded at cost less impairment. The term deposits represent a rolling 90 days fixed term investment with Treasury Corporation of Victoria. These investments are ear-marked for use on future infrastructure improvement projects.

(iii) Other financial assets

Other financial assets are deposit restricted to payments of interest on borrowings and payments to suppliers in relation to the construction of new rolling stock (trains).

(iv) Trade and other receivables

All receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Receivables are due for settlement at no more than 30 days from the date of recognition.

The collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance account (provision for impairment of receivables) is used when some doubt as to collection exists. The amount of the impairment loss is recognised in profit or loss with other expenses. When a receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Non-financial assets

(i) Prepayments

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

(ii) Property, infrastructure, plant and equipment

Rail Infrastructure

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.

Rail Infrastructure assets are recognised initially at cost plus incidental costs attributable to the acquisition and subsequently revalued to fair value less accumulated depreciation and impairment in accordance with the requirements of FRD103D Non-Current Physical Assets. The impairment analysis on the Rail Infrastructure has been carried out annually since with no impairment noted.

The last independent valuation of rail infrastructure assets was at 30 June 2011.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation surplus except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised in profit or loss up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments.

Plant and equipment

Plant and equipment, which include rolling stock, are recognised initially at cost plus incidental costs attributable to the acquisition and subsequently revalued to fair value less accumulated depreciation and impairment in accordance with the requirements of FRD103D Non-Current Physical Assets.

The last independent valuation of plant and equipment was at 30 June 2011.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation surplus except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised in profit or loss up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation surplus for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments.

Intangible assets – Software and licences

Intangible assets represent identifiable nonmonetary assets without physical substance and are initially recognised at cost subsequently intangible assets with finite useful lives are carried at cost less accumulated depreciation/ amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of the each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indications that the intangible assets concerned is impaired.

The last independent valuation of intangible assets was at 30 June 2011.

(iii) 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.

Land is shown at fair value based on an independent valuation undertaken by the Valuer General Victoria as at 30 June 2010. Subsequent revaluations have been undertaken using indices based (where required) in accordance with FRD103D (Non Current Physical Assets).

NOTES to the Financial Statement

30 June 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Non-financial assets

(iii) Land

The basis of the valuation of non-rail corridor land is market value, with adjustments being made, where appropriate, for variations in the size and quality of each land parcel.

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

Revaluation increments are credited directly to the asset revaluation surplus, 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 income 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 surplus in respect of the same class of assets. Where this situation arises, the revaluation decrement is debited to the asset revaluation surplus. Revaluation increments and decrements are offset against one another within classes of non-current assets.

(iv) Lease of infrastructure assets

The Consolidated Entity leases the majority of its rail infrastructure assets to Public Transport Victoria (PTV) for the purposes of conducting passenger and freight train and tram operations. PTV 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.

(v) 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.

In the prior year transfers of net assets arising from administrative restructures and/or from all other arrangements which are deemed to be contributions by owners, where there is insufficient contributed capital for distribution are recognised as an expense by the transferor and income by the transferee in accordance with FRD 119 'Contributions by Owners'. Alternatively if the transferor has approval to reclassify sufficient accumulated funds to contributed capital prior to or at the time of the asset transfer date then a distribution from contributed capital can occur.

(vi) Rolling stock

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

(vii) Intangible assets

Goodwill

Where an entity or operation is acquired, the net identifiable 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 not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. As at 30 June 2014, there was no impairment of the goodwill relating to the purchase of Rolling Stock Holdings (Victoria) Pty Ltd. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is allocated to the consolidated entity's leasing business. The recoverable amount of the cash generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10-year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of a 10-year government bond at the beginning of the budget period. Management has based the value-in-use calculations on budgets for each operating segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular division.

There was no addition, impairment and amortisation incurred during the current & prior year for goodwill.

(I) Liabilities

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid at the end of the reporting period. Payables are initially measured at fair value, being the cost of the goods and services, and then subsequently measured at amortised cost. The amounts are unsecured and are usually paid within 45 days of recognition.

(ii) Borrowings

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 Trade and other payables at year end.

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.

(iii) Employee benefits – wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as current liabilities', because the Department does not have an unconditional right to defer settlements of these liabilities.

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

- undiscounted value – if the Consolidated Entity expects to wholly settle within 12 months; or
- present value – if the Consolidated Entity does not expect to wholly settle within 12 months.

(iv) Employee benefits – Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

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

The components of this current LSL liability are measured at:

- undiscounted value – if the Department expects to wholly settle within 12 months; and
- present value – if the Department does not expect to wholly settle within 12 months.

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

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

NOTES to the Financial Statement

30 June 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(l) Liabilities

(v) Employee benefits – 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.

(vi) Employee benefits – Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Consolidated Entity recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(vii) Provisions

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

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

VicTrack land and other assets may be subject to varying degrees of contamination. Estimated costs of environmental assessments, management and restoration of assets are liabilities when the obligation is identified and costs can be reliably estimated. Ongoing environmental assessments and restoration costs are progressively charged as expenses from ordinary activities when

incurred. Environmental assessments, management and restoration costs for which an obligation will possibly arise in the future or which cannot be reliably measured are recognised as contingent liabilities.

(m) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

(i) Consolidated Entity as lessee

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 the risks and benefits incidental to the ownership of the asset are transferred to the consolidated entity are classified as finance leases. All other leases are classified as operating leases.

Assets under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are allocated between the reduction of the lease liability and the finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in accordance with the Consolidated Entity's general policy on borrowing costs. Refer to note 1g (v).

Leased assets are depreciated on a straight-line basis over their estimated useful lives, where it is likely the Company will obtain ownership of the asset, or over the term of the lease.

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 Public Transport Victoria. Further details of the lease arrangements, which are part of the public transport franchising arrangements, can be found in the Public Transport of Victoria Annual Report.

Operating lease payments, including any contingent rentals, are recognised as an expense in the Comprehensive Operating Statement on a straight-line basis over the lease term, except where another systematic

basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the Balance Sheet.

(ii) Consolidated Entity as lessor

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

(n) Goods and Services Tax (GST)

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

Receivables and payables are recognised inclusive of GST.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO, except where the amount of GST incurred is not recoverable from the ATO

(o) 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.

Transfers of net assets arising from administrative restructures and/or from all other arrangements which are deemed to be contributions by owners, where there is insufficient contributed capital for distribution are recognised as an expense by the transferor and income by the transferee in accordance with FRD 119 'Contributions by Owners'. Alternatively if the transferor has approval to reclassify sufficient accumulated funds to contributed

capital prior to or at the time of the asset transfer date then a distribution from contributed capital can occur.

(p) Commitments

Commitments include operating and capital expenditure arising from non-cancellable contractual sources and disclosed at their nominal value.

(q) 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 years ended 30 June 2013 and 30 June 2014.

(r) Rounding

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

(s) Functional and presentation currency

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

(t) Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal trading operations and the realisation of assets and settlement of liabilities in the ordinary course of business. The ability of the Consolidated Entity to continue paying its debts as and when they fall due is dependent upon existing contractual arrangements continuing to operate as originally intended. Such agreements ensure sufficient contributions are made by the Victorian Government to cover the Consolidated Entity's contractual commitments.

On the basis of the above factors, the Directors are of the opinion that the Consolidated Entity and the Company are going concerns and can pay their debts as and when they fall due.

NOTES to the Financial Statement

30 June 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(u) New accounting Standards and interpretations adopted by the Consolidated Entity for the annual reporting period ended 30 June 2014

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when the company is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The Company has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, the Consolidated Entity has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of the Consolidated Entity. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 Financial Instruments: Disclosures.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 Financial Instruments: Disclosures.

Adoption of AASB 13 did not impact the company as none of its assets are recorded/disclosed at fair value.

AASB 119 Employee benefits

In 2013-14, the Company applied AASB 119 Employee benefits (September 2011, as amended) and the related consequential amendments for the first time with no impact noted.

(v) 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 early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2014. Those standards and interpretation which are applicable to the entity are outlined in the table below:

Title (summarised)	Summary	Applicable for annual reporting periods beginning on	Impact on Consolidated Entity's financial statements
AASB 10 Consolidated Financial Statements	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014 (not-for-profit entities)	No significant impact is expected on entity reporting.
AASB 11 Joint Arrangements	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014 (not-for-profit entities)	No significant impact is expected on entity reporting.
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures.	1 Jan 2014 (not-for-profit entities)	No significant impact is expected on entity reporting.
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014 (not-for-profit entities)	No significant impact is expected on entity reporting.
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014 (not-for-profit entities)	No significant impact is expected on entity reporting.
AASB 9 Financial Instruments	This Standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 Jan 2017	No significant impact is expected on entity reporting.

NOTES to the Financial Statement

30 June 2014

NOTE 2. INCOME FROM TRANSACTIONS

Note	Consolidated		Parent	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Interest received	1,323	1,330	1,295	1,287
Rolling stock lease income	29,225	29,225	-	-
Infrastructure Management revenue	33,469	33,850	33,469	33,850
Other	10,187	14,098	8,685	12,460
Total other income	74,204	78,503	43,449	47,597

NOTE 3. EXPENSES FROM TRANSACTIONS

(a) Employee benefits

Salaries and wages, annual leave and long service leave	27,445	26,122	27,445	26,122
Associated labour on-costs	1,900	2,311	1,900	2,311
Increase in provision for employee entitlements	1,751	1,614	1,751	1,614
Post employment benefits				
Superannuation contributions	3,234	3,033	3,234	3,033
Termination benefits	777	945	777	945
Total employee benefits	35,107	34,025	35,107	34,025

(b) Depreciation and amortisation

Buildings and structures	105,477	98,593	105,477	98,593
Track	101,657	96,165	101,657	96,165
Signals and communications	185,871	162,006	185,871	162,006
Plant and equipment	175,657	146,173	60,747	36,620
Software and licences	28,251	1,172	28,251	1,172
Total depreciation and amortisation	596,913	504,109	482,003	394,556

(c) Supplies and services

Property services (including land tax)	8,973	7,820	8,973	7,820
Telecommunications expenses	13,577	12,018	13,577	12,018
Contract and other payments	30,249	11,941	30,249	11,941
Total supplies and services	52,799	31,779	52,799	31,779

(d) Other operating expenses

Note	Consolidated		Parent	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Increase/(decrease) in provision for doubtful debts	(107)	9	(107)	9
Bad debts	264	230	264	230
Insurance premiums	554	540	554	540
Legal fees	578	609	578	609
Occupancy costs	1,864	1,822	1,864	1,822
Customer construction expense	24,836	26,922	24,836	26,922
Other expenses	8,410	7,253	8,302	7,207
Total other operating expenses	36,399	37,385	36,291	37,339

NOTE 4. CASH AND DEPOSITS

General fund account	8,015	4,307	7,097	2,664
Investments – Treasury Corporation of Victoria	28,963	20,389	28,963	20,389
	36,978	24,696	36,060	23,053

General fund account and Investments in Treasury Corporation of Victoria are carried at cost. These funds are ear-marked for use on future infrastructure improvement projects. Cash in the General Fund account is interest bearing equivalent to the 11am cash rate less a fixed premium agreed by the Consolidated entity and the bank 1.26% (2013: 1.86%). Investment with TCV bears interest at 2.64% (2013: 3.22%). The group's and company's exposure to interest risk is disclosed in note 23. The maximum credit risk at the end of the reporting period is the carrying amount of the cash and deposits.

NOTE 5. OTHER FINANCIAL ASSETS

Funds on deposits	100	100	-	-
	100	100	-	-
Reconciled by				
CURRENT				
	-	-	-	-
	-	-	-	-
NON CURRENT				
Funds on deposits	100	100	-	-
	100	100	-	-

Use of funds on deposit is restricted to payments of interest on borrowings and payments to suppliers in relation to the construction of new rolling stock (trains). The amount on deposit is subject to a fixed interest rate of 5.15% (2013: 5.15%) with quarterly payments of interest.

(a) Ageing analysis

Refer to Note 23, Financial Risk Management for the ageing analysis of other financial assets.

(b) Nature and extent of Risk exposure

Refer to Note 23, Financial Risk Management for the nature and extent of risks arising from other financial assets.

NOTES to the Financial Statement

30 June 2014

NOTE 6. TRADE AND OTHER RECEIVABLES

Note	Consolidated		Parent	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Receivables	35,172	23,700	161,049	150,433
Less provision for impairment of receivables (a)	(106)	(218)	(106)	(218)
	35,066	23,482	160,943	150,215
Reconciled by:				
CURRENT				
Receivables	35,112	23,629	160,989	150,362
Less provision for impairment of receivables (a)	(106)	(218)	(106)	(218)
	35,006	23,411	160,883	150,144
NON CURRENT				
Receivables	60	71	60	71
Less provision for impairment of receivables	-	-	-	-
	60	71	60	71
Total receivables	35,066	23,482	160,943	150,215

(a) Impairment of receivables

Trade receivables are non-interest bearing and are generally on 30 day terms from the date of invoicing. Where debts become past due, an assessment is made of collectability. When there is objective evidence that an individual trade receivable is impaired, a provision for impairment is recognised. An impairment loss of \$106,000 (2013: \$218,000) has been recognised by the Consolidated Entity and \$106,000 (2013: \$218,000) by the Parent in the current year. These amounts have been included in "other operating expenses" in the Comprehensive Operating Statement. No individual amount within the provision for impairment of receivables is material.

Receivables past due but not considered impaired are: Consolidated Entity \$4,596,000 (2013: \$6,639,000); Parent \$4,596,000 (2013: \$6,639,000).

Refer to Note 23, Financial Risk Management for the ageing analysis of receivables.

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

At 1 July	218	209	218	209
Increase in provision for impairment recognised during the year	104	206	104	206
Receivables written off during the year	(264)	(101)	(264)	(101)
Amounts reversed during the year	48	(96)	48	(96)
	106	218	106	218

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value approximates their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security. Refer to note 23 for more information on the risk management policy of the Consolidated Entity and the credit quality of the consolidated entity's receivables.

(c) Risk exposure

Detail regarding interest rate risk exposure is disclosed in Note 23, Financial Risk Management.

NOTE 7. PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Purpose group – Transportation and communications*

(a) Reconciliation of carrying amounts at the beginning and end of the year

Note	Consolidated		Parent	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
LAND				
Rail corridor land– at fair value	1,720,868	1,720,020	1,720,868	1,720,020
Non-rail corridor land– at fair value	1,301,563	1,315,415	1,301,563	1,315,415
Total land	3,022,431	3,035,435	3,022,431	3,035,435
BUILDINGS AND STRUCTURES				
Net fair value	4,667,490	4,667,490	4,667,490	4,667,490
Accumulated depreciation	(288,312)	(192,227)	(288,312)	(192,227)
Carrying amount	4,379,178	4,475,263	4,379,178	4,475,263
Cost	535,689	554,571	535,689	554,571
Accumulated depreciation	(13,799)	(4,054)	(13,799)	(4,054)
Carrying amount	521,890	550,517	521,890	550,517
Total buildings and structures after depreciation	4,901,068	5,025,780	4,901,068	5,025,780
TRACK				
Net fair value	5,720,454	5,720,454	5,720,454	5,720,454
Accumulated depreciation	(303,729)	(206,327)	(303,729)	(206,327)
Carrying amount	5,416,725	5,514,127	5,416,725	5,514,127
Cost	491,827	350,549	491,827	350,549
Accumulated depreciation	(16,762)	(11,298)	(16,762)	(11,298)
Carrying amount	475,065	339,252	475,065	339,252
Total Track after depreciation	5,891,790	5,853,378	5,891,790	5,853,378
SIGNALS AND COMMUNICATION				
Net fair value	2,461,480	2,461,480	2,461,480	2,461,480
Accumulated depreciation	(468,542)	(312,508)	(468,542)	(312,508)
Carrying amount	1,992,938	2,148,972	1,992,938	2,148,972
Cost	587,985	464,279	587,985	464,279
Accumulated depreciation	(39,648)	(11,374)	(39,648)	(11,374)
Carrying amount	548,337	452,906	548,337	452,906
Total Signals and communication after depreciation	2,541,275	2,601,878	2,541,275	2,601,878

*All of the Consolidated entity's assets belong to the one purpose group for the purposes of FRD 103E reporting.

NOTES to the Financial Statement

30 June 2014

NOTE 7. PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Purpose group – Transportation and communications*

(a) Reconciliation of carrying amounts at the beginning and end of the year

	Consolidated		Parent	
Note	2014 \$000	2013 \$000	2014 \$000	2013 \$000
PLANT AND EQUIPMENT				
Net fair value	2,692,126	2,691,958	919,024	918,856
Accumulated depreciation	(177,857)	(176,005)	(104,761)	(69,558)
	2,514,269	2,515,953	814,263	849,298
Finance lease net fair value	1,046,792	1,046,960	2,400	2,568
Accumulated depreciation	(99,872)	(66,570)	(758)	(807)
	946,920	980,390	1,642	1,761
Cost	851,849	661,977	218,068	102,325
Accumulated depreciation	(167,872)	(27,368)	(27,369)	(1,775)
Carrying amount	683,977	634,609	190,699	100,550
Total plant and equipment after depreciation	4,145,166	4,130,952	1,006,604	951,608
SOFTWARE AND LICENCES				
Net fair value	245,841	102,361	245,841	102,361
Accumulated depreciation	(50,721)	(2,109)	(50,721)	(2,109)
Total Software and licences after depreciation	195,120	100,252	195,120	100,252
CAPITAL WORKS IN PROGRESS				
Leasehold improvements/renewals	4,461,567	2,581,776	4,461,567	2,581,776
Rolling stock under construction	361,476	296,443	-	-
Other	80,994	444,959	80,994	444,959
Total Capital works in progress	4,904,037	3,323,179	4,542,561	3,026,736
Total property, infrastructure, plant and equipment	25,600,887	24,070,852	22,100,849	20,595,067

*All of the Consolidated entity's assets belong to the one purpose group for the purposes of FRD 103E reporting.

	Land \$'000	Buildings & structures \$'000	Track \$'000	Signals & comms. \$'000	Plant & equipment \$'000	Intangible – Software & Licences \$'000	WIP \$'000	TOTAL \$'000
CONSOLIDATED								
2014								
Carrying amount at 1 July 2013	3,035,435	5,025,780	5,853,378	2,601,878	4,130,952	100,252	3,323,179	24,070,852
Additions (*)	-	1,242	-	-	908	-	2,142,463	2,144,613
Disposals	(17,191)	-	-	-	(476)	-	-	(17,667)
Reclassification/ adjustments	-	(20,477)	(1,209)	1,562	-	(20,361)	40,485	-
Revaluation movement	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(105,477)	(101,657)	(185,871)	(175,657)	(28,251)	-	(596,913)
Transferred from WIP	4,186	-	141,278	123,706	189,439	143,480	(602,089)	-
Carrying value at 30 June 2014	3,022,431	4,901,068	5,891,790	2,541,275	4,145,166	195,120	4,904,037	25,600,887
2013								
Carrying amount at 1 July 2012	3,036,038	4,898,276	5,803,972	2,546,566	4,027,408	15,308	2,231,083	22,558,651
Additions (*)	-	-	-	-	711	164	2,029,184	2,030,059
Disposals	(13,327)	-	-	-	(421)	-	-	(13,748)
Other adjustments	-	-	-	-	-	-	-	-
Revaluation movement	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(98,593)	(96,165)	(162,006)	(146,173)	(1,172)	-	(504,109)
Transferred from WIP	12,724	226,097	145,571	217,318	249,426	85,952	(937,088)	-
Carrying value at 30 June 2013	3,035,435	5,025,780	5,853,378	2,601,878	4,130,952	100,252	3,323,179	24,070,852

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

NOTES to the Financial Statement

30 June 2014

NOTE 7. PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Purpose group – Transportation and communications*

(a) Reconciliation of carrying amounts at the beginning and end of the year

	Land \$'000	Buildings & structures \$'000	Track \$'000	Signals & comms. \$'000	Plant & equipment \$'000	Intangible – Software & Licences \$'000	WIP \$'000	TOTAL \$'000
PARENT								
2014								
Carrying amount at 1 July 2013	3,035,435	5,025,780	5,853,378	2,601,878	951,608	100,252	3,026,736	20,595,067
Additions (*)	-	1,242	-	-	908	-	2,003,301	2,005,451
Disposals	(17,191)	-	-	-	(476)	-	-	(17,667)
Other adjustments	-	(20,477)	(1,209)	1,562	-	(20,361)	40,485	-
Revaluation movement	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(105,477)	(101,657)	(185,871)	(60,747)	(28,251)	-	(482,003)
Transferred from WIP	4,186	-	141,278	123,706	115,311	143,480	(527,961)	-
Carrying value at 30 June 2014	3,022,431	4,901,068	5,891,790	2,541,275	1,006,604	195,120	4,542,561	22,100,849
2013								
Carrying amount at 1 July 2012	3,036,038	4,898,276	5,803,972	2,546,566	897,815	15,308	2,013,549	19,211,524
Additions (*)	-	-	-	-	711	164	1,790,973	1,791,848
Disposals	(13,327)	-	-	-	(421)	-	-	(13,748)
Other adjustments	-	-	-	-	-	-	-	-
Revaluation movement	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(98,593)	(96,165)	(162,006)	(36,620)	(1,172)	-	(394,556)
Transferred from WIP	12,724	226,097	145,571	217,318	90,124	85,952	(777,786)	-
Carrying value at 30 June 2013	3,035,435	5,025,780	5,853,378	2,601,878	951,608	100,252	3,026,736	20,595,067

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

(b) Valuations of Land

Land is shown at fair value based on an independent valuation undertaken by the Valuer General Victoria as at 30 June 2010. Subsequent fair value assessment (and if necessary revaluation) have been undertaken using indices based (where required) in accordance with FRD103E (Non Current Physical Assets).

(c) Valuations of Building and Structures

At the direction of the Minister of Finance, and in line with Whole of Government reporting, VicTrack and its consolidated entities has adopted fair value for its building and structure assets. These assets were previously carried at historical cost. The 30 June 2011 valuation was determined by PricewaterhouseCoopers with the exception of the Melbourne Underground Rail Loop (MURL). MURL valuation was performed by Aquenta Consulting Pty Ltd. The fair value was determined on the basis of depreciated replacement cost. An impairment analysis has been carried out annually since with no impairment noted.

(d) Valuations of Track

At the direction of the Minister of Finance, and in line with Whole of Government reporting, VicTrack and its consolidated entities has adopted fair value for its track assets. These assets were previously carried at historical cost. The 30 June 2011 valuation was determined by PricewaterhouseCoopers in conjunction with RayLink Consulting Pty Ltd. The fair value was determined on the basis of depreciated replacement cost. An impairment analysis has been carried out annually since with no impairment noted.

(e) Signals and Communication

At the direction of the Minister of Finance, and in line with Whole of Government reporting, VicTrack and its consolidated entities has adopted fair value for its signal and communication assets. These assets were previously carried at historical cost. The 30 June 2011 valuation was determined by PricewaterhouseCoopers. The fair value was determined on the basis of depreciated replacement cost. An impairment analysis has been carried out annually since with no impairment noted.

(f) Plant and Equipment & Intangible software and licences

At the direction of the Minister of Finance, and in line with Whole of Government reporting, VicTrack and its consolidated entities has adopted fair value for its plant and equipment assets. These assets were previously carried at historical cost. The 30 June 2011 valuation was determined by PricewaterhouseCoopers with the exception the rolling stock. The valuation of the rolling stock was undertaken by Interfleet Technology Pty Ltd. The fair value was determined on the basis of depreciated replacement cost. An impairment analysis has been carried out annually since with no impairment noted.

(g) Fair value measurements

Victorian Rail Track measures and recognises its assets at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses under AASB 116: Property, Plant & Equipment.

NOTES to the Financial Statement

30 June 2014

NOTE 7. PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Purpose group – Transportation and communications*

(g) Fair value measurements

(i) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

To provide an indication about the subjectivity of the inputs used in determining fair value, Victorian Rail Track has classified its assets into the appropriate level of the fair value hierarchy as prescribed under the accounting standards in the table below.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
CONSOLIDATED				
Land	-	-	3,022,431	3,022,431
Buildings and structures	-	-	4,901,068	4,901,068
Track	-	-	5,891,790	5,891,790
Signals and communications	-	-	2,541,275	2,541,275
Plant and equipment	-	-	4,145,166	4,145,166
Total non-financial assets	-	-	20,501,730	20,501,730
PARENT				
Land	-	-	3,022,431	3,022,431
Buildings and structures	-	-	4,901,068	4,901,068
Track	-	-	5,891,790	5,891,790
Signals and communications	-	-	2,541,275	2,541,275
Plant and equipment	-	-	1,006,604	1,006,604
Total non-financial assets	-	-	17,363,168	17,363,168

Victorian Rail Track's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

There were no transfers for recurring fair value measurements during the year.

(ii) Valuation techniques used to determine fair values

In addition to the Australian Accounting Standards and Interpretations, as a public sector agency Victorian Rail Track is also required to comply with the Financial Reporting Directions issued by the Department of Treasury and Finance. FRD 103E Non-Current Physical Assets ("FRD 103") requires all non-current physical assets to be measured (after initial recognition at cost) using the revaluation model. In accordance with FRD 103E requirements, Victorian Rail Track has adopted fair value for all its classes of fixed assets except capital works in progress. Victorian Rail Track obtains

external, independent valuations for its fixed assets every five years. At the end of each reporting period, management update their assessment of the fair value of the assets, taking into account the most recent independent valuation. Refer below for further information on the valuation process.

All assets are valued using the depreciated replacement cost method. This method represents the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The method of valuation may vary for each subcategory and inputs are determined with reference to publicly available construction and ancillary costs, and average asset price for comparable local and global contracts. Relevant adjustments for inflation and qualitative attractiveness (consisting of functional and/or technical obsolescence) may also be made. The replacement cost for each asset was then depreciated using straight line depreciation on the basis of remaining life as a proportion of total economic life to arrive at depreciated replacement cost for each asset.

The best evidence of fair value is current prices in an active market for similar assets. Given the lack of an active market for a majority of VicTrack property, infrastructure, plant and equipment, fair value is derived using information from a variety of sources including prices for similar assets in less active markets, adjusted to reflect those differences. The specialised nature of most physical non-current assets and/or significant imperfections in the markets in which they are traded may preclude the current market selling price from being observed. These specialised assets are rarely, if ever, sold in the market, except by way of a sale of the business entity of which it is part, due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise.

Given that most of the valuation inputs, their application within the valuation models and VicTrack's determined depreciation rates can not be market-corroborated, the fair value estimates in relation to these assets are included in level 3.

(iii) Fair value measurements (level 3)

The following table presents the changes in level 3 items for the period ended 30 June 2014 for recurring fair value measurements:

	Parent & Consolidated				Parent	Consolidated
	Land	Buildings and structures	Track	Signals and comms.	Plant and equipment	Plant and equipment
	2014	2014	2014	2014	2014	2014
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance 1 July 2013	3,035,435	5,025,780	5,853,378	2,601,878	951,608	4,130,952
Transfer from level 1	-	-	-	-	-	-
Transfer from level 2	-	-	-	-	-	-
Additions	-	1,242	-	-	908	908
Other adjustments	-	(20,477)	(1,209)	1,562	-	952
Disposals	(17,191)	-	-	-	(476)	(476)
Depreciation	-	(105,477)	(101,657)	(185,871)	(60,747)	(175,657)
Impairment	-	-	-	-	-	-
Gains recognised in other comprehensive income	-	-	-	-	-	-
Transfer from WIP	4,186	-	141,278	123,706	115,311	188,487
Total	3,022,431	4,901,068	5,891,790	2,541,275	1,006,604	4,145,166

(iv) Changes in valuation techniques

There were no changes in valuation techniques during the year.

NOTES to the Financial Statement

30 June 2014

NOTE 7. PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Purpose group – Transportation and communications*

(g) Fair value measurements

(v) Valuation inputs and relationships to fair value

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

Description	Fair value at 30 June 2014 \$'000	Unobservable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Parent & Consolidated – Land	3,022,431	Land price	\$1 – \$4,803/sqm	The higher the land price, the higher the fair value
		Community Service Obligation (only applicable to rail corridor land)	75%	The higher the community service obligation, the lower the fair value
Parent & Consolidated – Buildings and structures	4,901,068	Ancillary cost*	\$745 – \$74,500/m \$345 – \$7,499/sqm \$32,756 – \$558,409/unit	The higher the ancillary cost, the higher the fair value
		Depreciation rate	1.0% - 2.5%	The higher the depreciation rate, the lower the fair value
Parent & Consolidated – Track	5,891,790	Steel	\$1,870/tonne	The higher the steel price, the higher the fair value
		Ancillary cost*	\$31 – \$36/tonne \$320 – \$23,950/day \$15 – \$415/cubic meter	The higher the ancillary cost, the higher the fair value
		Depreciation rate	1.0% – 2.0%	The higher the depreciation rate, the lower the fair value
Parent & Consolidated – Signals and communications	2,541,275	Ancillary cost*	\$160,900 – \$291,900/unit	The higher the ancillary cost, the higher the fair value
		Depreciation rate	3.0% – 3.3%	The higher the depreciation rate, the lower the fair value
Parent – Plant and equipment	1,006,604	Contracted price	\$1,200,000 – \$8,300,000	The higher the contracted price, the higher the fair value
		Contracted price inflation	1.9%/annum	The higher the inflation, the higher the fair value
Consolidated – Plant and equipment	4,145,166	Qualitative attractiveness	0% – 20%	The higher the qualitative attractiveness, the lower the fair value
		Depreciation rate	2.5% – 10%	The higher the depreciation rate, the lower the fair value

*Ancillary cost reflect a variety of cost of construction within respective asset classes. The cost of construction includes materials, labour cost, tools and equipment.

(vi) Valuation process

Victorian Rail Track engages external, independent and qualified valuers to determine the fair value of its fixed assets every five years. The last full independent valuation was performed as at 30 June 2011 (with the exception of land which was performed as at 30 June 2010).

In accordance with FRD 103E requirements, as at each balance date, management assess the compounded impact of movement in the fair value inputs since the last full revaluation date. To the extent that the compounded movement in the fair value inputs is greater than 10 per cent but not in excess of 40 percent, a managerial revaluation will be performed. To the extent that the compounded movement in the fair value inputs equals or exceeds 40 per cent, a full revaluation by external, independent and qualified valuers will be performed. No adjustment to carrying amount is required if the compounded movement in the fair value inputs is less than or equal to 10 per cent.

As at 30 June 2014, management has assessed that the compounded movement in the fair value inputs since the last full revaluation date is less than 10 per cent and therefore no adjustment to carrying amount is required. Values calculated during the 30 June 2011 full independent valuation were escalated to 30 June 2014 with relevant consumer price indices, labour price indices, steel prices, interest, foreign exchange and depreciation rates to estimate the magnitude of the compound movement in the fair value inputs.

(h) Cranbourne-Pakenham Rail Corridor project

Victorian Rail Track has been advised by the Department of Transport Planning and Local Infrastructure that the State has entered into a Commitment Deed with a private sector proponent on the 7 March 2014 for the \$2.5 billion Cranbourne-Pakenham Rail Corridor project. The deed establishes a process for continuing exclusive negotiations with the private sector proponent, sets out those matters on which the parties have agreed in principle and agrees the consequences if the project does not progress (including termination payments by the State). The intention of the parties to the Deed is to develop, negotiate and finalise a binding offer for the evaluation and approval by the State. The project includes the acquisition, using private financing, of new trains, a new train maintenance depot, power upgrades, higher capacity signalling and grade separations. It is expected that these assets will be transferred to VicTrack and its consolidated entities resulting in the recognition of finance lease assets and liabilities. The Government expects a final binding agreement to be executed in the second half of 2014.

(i) Assets pledged as security

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

NOTE 8. TRADE AND OTHER PAYABLES

Note	Consolidated		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade and other payables	45,247	24,844	44,180	23,810
Total trade and other payables	45,247	24,844	44,180	23,810

Trade and other payables are normally settled within 45 days from the date of recognition.

(a) Fair value

Due to the short-term nature of trade and other payables, their carrying value approximates their fair value.

(b) Nature and extent of risk arising from contractual payables

Refer to note 23 for the nature and extent of risks raising from contractual payables.

NOTES to the Financial Statement

30 June 2014

NOTE 9. PROVISIONS

Note	Consolidated		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
EMPLOYEE BENEFITS				
Annual Leave				
Unconditional and expected to settle within 12 months	2,072	1,903	2,072	1,903
Unconditional and expected to settle after 12 months	526	439	526	439
Long service leave				
Unconditional and expected to settle within 12 months	445	385	445	385
Unconditional and expected to settle after 12 months	4,264	3,724	4,264	3,724
Other employee benefits				
Unconditional and expected to settle within 12 months	676	900	676	900
	7,983	7,351	7,983	7,351
PROVISIONS FOR ON-COSTS				
Unconditional and expected to settle within 12 months	426	377	426	377
Unconditional and expected to settle after 12 months	726	615	726	615
	1,152	992	1,152	992
Total current provisions	9,135	8,343	9,135	8,343
NON-CURRENT PROVISIONS				
Employee benefits	820	713	820	713
On-costs	124	105	124	105
	944	818	944	818
Other provision				
Make-good provision	10,003	4,581	10,003	4,581
Total non-current provisions	10,947	5,399	10,947	5,399
Total provisions	20,082	13,742	20,082	13,742
EMPLOYEE BENEFITS AND ON-COSTS				
CURRENT				
Long service leave (*)	5,422	4,716	5,422	4,716
Annual leave	2,386	2,716	2,386	2,716
Other employee benefits	720	910	720	910
	8,528	8,342	8,528	8,342
NON CURRENT				
Long service leave	945	819	945	819
Annual Leave	606	-	606	-
	1551	819	1551	819
Total employee benefits and on-costs provisions	10,079	9,161	10,079	9,161

(a) Movement in provisions

Consolidated Entity and Parent Entity	Make good provision \$'000	On-Costs \$'000	Total \$'000
2014			
Balance at 1 July 2013	4,581	1,097	5,678
Additional provision recognised	5,422	744	6,166
Reductions arising from payments	-	(563)	(563)
Movement resulting from re-measurement or settlement without cost	-	(2)	(2)
Balance at 30 June 2014	10,003	1,276	11,279
2013			
Balance at 1 July 2012	-	1,138	1,138
Additional provision recognised	4,581	406	4,987
Reductions arising from payments	-	(451)	(451)
Movement resulting from re-measurement or settlement without cost	-	4	4
Balance at 30 June 2013	4,581	1,097	5,678

NOTE 10. BORROWINGS

Note	Consolidated		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Secured loan	255,095	280,100	-	-
Lease liability	590,150	640,300	1,654	1,778
	845,245	920,400	1,654	1,778
Reconciled by:				
CURRENT				
Secured loan	31,951	30,928	-	-
Lease liability	66,745	51,016	972	990
	98,696	81,944	972	990
NON CURRENT				
Secured loan	223,144	249,173	-	-
Lease liability	523,405	589,283	681	788
	746,549	838,456	681	788
Total borrowings	845,245	920,400	1,654	1,778

(a) Fair value

The fair values of borrowings are disclosed in Note 23, Financial Risk Management.

(b) Secured liabilities and assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statement as disclosed in note 7 and revert to the lessor in the event of default.

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

(c) Defaults and breaches

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

(d) Maturity analysis

Refer to note 23 for the maturity analysis of borrowings.

NOTES to the Financial Statement

30 June 2014

NOTE 11. EQUITY AND MOVEMENTS IN EQUITY

Consolidated Entity

Contributed Capital

	Capital 1 July 2013 \$'000	Capital Returned \$'000	Additional Capital \$'000	Capital 30 June 2014 \$'000
ASSETS				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	122,145	-	-	122,145
Software and licences	-	-	-	-
Works in progress/other assets	7,586,225	-	2,084,423	9,670,648
Total assets	11,610,703	-	2,084,423	13,695,126
LIABILITIES				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	(6,959)	-	-	(6,959)
Contributed capital at the end of the year	11,603,744	-	2,084,423	13,688,167

	Capital 1 July 2012 \$'000	Capital Returned \$'000	Additional Capital \$'000	Capital 30 June 2013 \$'000
ASSETS				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	122,145	-	-	122,145
Software and licences	-	-	-	-
Works in progress/other assets	5,621,445	-	1,964,780	7,586,225
Total assets	9,645,923	-	1,964,780	11,610,703
LIABILITIES				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	(6,959)	-	-	(6,959)
Contributed capital at the end of the year	9,638,964	-	1,964,780	11,603,744

Parent Entity

Contributed Capital

	Capital 1 July 2013 \$'000	Capital Returned \$'000	Additional Capital \$'000	Capital 30 June 2014 \$'000
ASSETS				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	116,114	-	-	116,114
Software and licences	-	-	-	-
Works in progress/other assets	5,999,273	-	1,945,260	7,944,533
Total assets	10,017,722	-	1,945,260	11,962,982
LIABILITIES				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	(6,959)	-	-	(6,959)
Contributed capital at the end of the year	10,010,762	-	1,945,260	11,956,023

	Capital 1 July 2012 \$'000	Capital Returned \$'000	Additional Capital \$'000	Capital 30 June 2013 \$'000
ASSETS				
Inventory	205	-	-	205
Receivables	2,715	-	-	2,715
Land	1,054,045	-	-	1,054,045
Buildings and structures	888,708	-	-	888,708
Track	1,303,643	-	-	1,303,643
Signals and communications	653,018	-	-	653,018
Plant and equipment	116,114	-	-	116,114
Software and licences	-	-	-	-
Works in progress/other assets	4,272,706	-	1,726,568	5,999,273
Total assets	8,291,154	-	1,726,568	10,017,722
LIABILITIES				
Provision for employee benefits	(6,959)	-	-	(6,959)
Total liabilities	(6,959)	-	-	(6,959)
Contributed capital at the end of the year	8,284,195	-	1,726,568	10,010,763

Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio. The Group's debt and capital includes ordinary contributed capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. There have been no changes in the strategy adopted by management to manage the capital of the Group since the prior year.

NOTES to the Financial Statement

30 June 2014

NOTE 12. RESERVES

Note	Consolidated		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
(i) Physical asset revaluation surplus				
Balance at beginning of financial year	8,831,097	8,841,880	8,182,328	8,193,111
Revaluation increments / (decrements)	-	-	-	-
Adjustments, disposal & transferred out	(7,970)	(10,783)	(7,970)	(10,783)
Changes In physical asset revaluation surplus	(7,970)	(10,783)	(7,970)	(10,783)
Net increment after income tax				
Income tax on physical asset revaluation surplus	-	-	-	-
Balance at the end of financial year	8,823,127	8,831,097	8,174,358	8,182,328

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

NOTE 13. RECONCILIATION OF NET RESULT FOR THE REPORTING PERIOD TO NET CASH FLOW FROM OPERATING ACTIVITIES

(a) Reconciliation of cash and cash equivalents

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.

(b) Non-cash financing and investing facilities

The Consolidated Entity has no non-cash financing and investment activities during the year.

(c) Finance facilities

The Consolidated Entity does not have any unused credit facilities in place at 30 June 2014 (2013: Nil).

(d) Reconciliation of net result for the reporting period to net cash inflow from operating activities:

Cash as at the end of the year as shown in the Cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net result for the period	(309,937)	(256,684)	(302,947)	(231,115)
Adjustments for:				
Depreciation / amortisation	596,913	504,109	482,003	394,556
Fair value adjustments	(1,365)	(1,595)	-	-
Loss/(profit) on sale of assets	(4,898)	(4,357)	(4,898)	(4,357)
Tax equivalent (expense)/ benefit	(162,821)	(110,085)	(130,034)	(99,126)
Changes in assets/liabilities:				
(Increase) / decrease in receivables	(11,155)	5,220	(10,589)	5,165
Increase / (decrease) in other payables	22,398	(28,964)	22,698	(28,760)
Net cash flow provided by/(used in) operating activities	129,135	107,644	56,233	36,362

NOTE 14. NATIONAL TAX EQUIVALENT REGIME**(a) Income tax**

	Consolidated		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current income tax (expense) / benefit	87,078	70,537	59,557	49,404
Adjustment in respect of current income tax of previous years	-	631	-	631
Deferred income tax	75,743	38,917	70,477	49,091
Total income tax (expense) / benefit	162,821	110,085	130,034	99,126

(b) Income tax reconciliation

Accounting profit / (loss) before tax	(472,758)	(366,769)	(432,981)	(330,241)
Income tax (expense) / benefit at company tax rate of 30%	141,827	110,031	129,894	99,072
Deferred income tax benefit in respect of previous year	20,854	-	-	-
Non-allowable items	140	54	140	54
	162,821	110,085	130,034	99,126

(c) Deferred Income tax revenue/ (expense) included in income tax expense

(Increase) / decrease in deferred tax liabilities	88,216	54,068	67,530	49,016
Increase / (decrease) in deferred tax assets	(12,472)	(15,151)	2,949	74
	75,743	38,917	70,477	49,090

(d) Amounts charged directly to equity

RETAINED PROFITS				
Adjustment to prior year tax loss	-	-	-	-
REVALUATION RESERVES				
Revaluations of plant and equipment	-	-	-	-

(e) Deferred tax assets

The balance comprises temporary differences attributable to:

Fair value of loan	1,184	1,598	-	-
Finance lease liability	177,045	192,090	496	534
Accrued leave	3,024	2,748	3,024	2,748
Provision for asset decommissioning	3,001	-	3,001	-
Doubtful debts	32	65	32	65
Stock Obsolescence	-	257	-	257
Losses available for offset	347,855	260,778	196,333	136,776
Total deferred tax assets	532,141	457,536	202,886	140,380

NOTES to the Financial Statement

30 June 2014

NOTE 14. NATIONAL TAX EQUIVALENT REGIME

(f) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Consolidated		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revaluation of plant and equipment	(2,741,758)	(2,954,082)	(2,452,307)	(2,664,632)
Accelerated depreciation	(217,334)	(83,200)	(273,872)	(129,042)
Finance lease assets	(283,849)	(293,875)	(493)	(528)
Fair value of loan	(40)	(44)	-	-
Total deferred tax liabilities	(3,242,981)	(3,331,201)	(2,726,672)	(2,794,202)
Net deferred tax assets/ (liabilities)	(2,710,840)	(2,873,665)	(2,523,786)	(2,653,821)

(g) Movement in deferred tax assets/ (liabilities)

Opening balance	(2,873,665)	(2,983,750)	(2,653,821)	(2,752,947)
Charged to income tax expense	75,743	38,917	70,477	49,091
Charge to equity		-	-	-
Movement in tax losses	87,077	71,169	59,557	50,036
Closing balance	(2,710,840)	(2,873,665)	(2,523,786)	(2,653,821)

NOTE 15. EMPLOYEE SUPERANNUATION FUNDS

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

However, the Consolidated Entity's (i.e. employer) superannuation contributions for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement.

The number of employees as at 30 June 2014 was 307 (2013: 289).

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

Superannuation Fund (*)	30 June 2014 Contributions \$'000	Contributions Outstanding as at 30 June 2014 \$'000	30 June 2013 Contributions \$'000	Contributions Outstanding as at 30 June 2013 \$'000
Transport Superannuation Scheme	364	42	340	38
State Superannuation Scheme	304	37	284	32
VicSuper Scheme	1157	174	1,111	134
Other	1409	263	1,298	206
	3,234	516	3,033	410

(*) These superannuation contributions relate to Victorian Rail Track as the Parent Entity – Rolling Stock Holdings (Victoria) Pty Limited and its subsidiary companies, which form 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 16. CAPITAL COMMITMENTS

	Consolidated		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	10,343	8,115	10,343	8,115
One year or later and not later than five years	3,260	6,632	3,260	6,632
Later than five years	-	-	-	-
Total capital commitments	13,603	14,747	13,603	14,747

NOTE 17. LEASE COMMITMENTS

OPERATING LEASES PAYABLE				
Within one year	1,579	1,692	1,579	1,692
Later than one year but not later than five years	2,785	4,190	2,785	4,190
Later than five years	-	-	-	-
Total operating lease commitments	4,364	5,882	4,364	5,882

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

FINANCE LEASES				
Within one year	128,337	116,887	1033	1073
Later that one year but not later than five years	609,594	525,521	703	821
Later than five years	112,728	324,358	-	-
Minimum finance lease payments	850,659	966,766	1,736	1,894
Less:				
Recoverable GST	(58,850)	(64,041)	-	-
Future finance lease charges	(201,659)	(262,425)	(82)	(116)
Present value of minimum finance lease payments	590,150	640,300	1,654	1,778

Finance leases relating to the introduction of new rolling stock have an average lease term of 15 years (2013: 15 years) and an average implicit discount rate of 9.89% (2013: 9.89%).

NOTE 18. INVESTMENTS

Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a):

Name	Country of incorporation	Percentage of equity interest held by the Consolidated Entity	
		2014	2013
Rolling Stock Holdings (Victoria) Pty Limited	Australia	100%	100%
Rolling Stock (Victoria – VL) Pty Limited	Australia	100%	100%
Rolling Stock (VL-1) Pty Ltd	Australia	100%	100%
Rolling Stock (VL-2) Pty Ltd	Australia	100%	100%
Rolling Stock (VL-3) Pty Ltd	Australia	100%	100%

NOTES to the Financial Statement

30 June 2014

NOTE 19. CONTINGENT LIABILITIES

Environmental and property contingent liabilities

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

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

Indemnities

Infrastructure leases with the Director of Public Transport (DPT)

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

Subject to the note below relating to 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

1. The Consolidated Entity is the first named defendant in a County Court proceeding relating to a claim for damages for personal injuries suffered by the plaintiff allegedly sustained as a result of a slip/trip at the Williamstown Railway Station car park.
2. The Consolidated Entity is the first-named defendant in a Supreme Court proceeding relating to a claim for damages for personal injuries suffered by the plaintiff allegedly sustained in September 2007 as a result of climbing a railway stanchion, suffering electric shock and falling near the Frankston train line at Carrum.
3. The Consolidated Entity is the second-named defendant in a County Court proceeding relating to a claim for damages for personal injuries suffered by the plaintiff allegedly sustained in September 2010 as a result of a slip/trip on a path within or adjacent to the Parkdale Railway Station level crossing.
4. The Consolidated Entity is likely to be the respondent to a claim for damages for personal injuries suffered by the two plaintiffs allegedly sustained in May 2010 as a result of falls whilst walking down the Benalla Railway Station underpass.
5. The Consolidated Entity is the first-named defendant in a Supreme Court proceeding relating to a claim for damages for personal injuries suffered by the plaintiff allegedly sustained in December 2010 as a result of a fall whilst walking down the steps to a pedestrian tunnel under the railway line at Ararat.
6. The Consolidated Entity is the respondent to a claim for damages for personal injuries suffered by the claimant allegedly sustained in September 2011 as a result of a slip over a pit lid in the footpath at Exhibition Street, near Flinders Street, Melbourne.
7. The Consolidated Entity is the respondent to a claim for damages for personal injuries suffered by the claimant allegedly sustained in May 2014 as a result of a fall on a footpath on VicTrack land along Main Street, Diamond Creek.

At this stage, it is too early to predict the outcome of the above actions and whether any significant liabilities will be incurred by the Consolidated Entity as a result. VicTrack's exposure is generally limited by the excess stated in VicTrack's relevant insurance policy that is held with the Victorian Managed Insurance Authority. The maximum, aggregated, financial effect, if VicTrack is liable in all the above cases, is likely to be no more than \$800,000.

NOTE 20. MINISTERS, THE BOARD OF DIRECTORS AND ACCOUNTABLE OFFICER

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

Responsible Minister:

The Hon Terry Mulder MP, Minister for Public Transport

The Hon Michael O'Brien MP, Treasurer

Directors of the Board:

Mr Bob Annells (Chair)

Mr Yehudi Blacher (Deputy Chair)

Ms Sam Andersen

Mr Brian Bulluss

Mr David Hunter

Ms Jenny Roche

Mr Michael Trumble

Accountable Officer:

Mr Campbell A. Rose

Remuneration of Responsible Persons:

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

Income Band	Consolidated		Parent	
	2014 No.	2013 No.	2014 No.	2013 No.
\$0,000 to \$9,999	-	1	-	1
\$20,000 to \$29,999	-	1	-	1
\$30,000 to \$39,999	4	3	4	3
\$40,000 to \$49,999	2	2	2	2
\$100,000 to \$109,999	1	1	1	1
\$140,000 to \$149,999	-	1	-	1
\$160,000 to \$169,000	-	1	-	1
\$310,000 to \$319,999	-	1	-	1
\$370,000 to \$379,999	1	-	1	-

Total Remuneration of Responsible Persons: \$716,927 (2013: \$942,886).

Responsible Persons' remuneration shown in aggregate above includes Directors' fees and superannuation contributions paid on behalf of Directors by the Consolidated Entity. The amount excludes insurance premiums paid by the Consolidated Entity in respect of Directors and Officers insurance contracts.

The Accountable Officer's remuneration for the 30 June 2014 year included the total salary package received during the year and a provision for performance bonus relating to the 30 June 2014 year. The Accountable Officer's remuneration for the year ended 30 June 2013 included the total salary package received during the period for the three Accountable Officers that occupied the position during the year. In addition, payment for long service leave and annual leave upon resignation is included for one of the Accountable Officers.

One of the Accountable Officers previously disclosed received an amount of \$91,394 pursuant to legal settlement with the Department of Transport, Planning and Local Infrastructure for the year ended 30 June 2013.

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

NOTES to the Financial Statement

30 June 2014

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	
	2014 No.	2013 No.	2014 No.	2013 No.
<\$100,000	5	2	7	3
\$100,000 - \$109,999	-	-	1	-
\$110,000 - \$119,999	2	1	2	2
\$120,000 - \$129,999	-	-	1	-
\$130,000 - \$139,999	1	1	-	1
\$140,000 - \$149,999	-	-	1	-
\$150,000 - \$159,999	1	-	1	2
\$160,000 - \$169,999	-	2	3	3
\$170,000 - \$179,999	2	3	2	2
\$180,000 - \$189,999	1	2	-	4
\$190,000 - \$199,999	2	1	3	-
\$200,000 - \$209,999	3	3	-	-
\$210,000 - \$219,999	-	1	2	2
\$220,000 - \$229,999	3	-	-	-
\$230,000 - \$239,999	1	-	-	-
\$240,000 - \$249,999	1	1	1	1
\$250,000 - \$259,999	-	1	-	-
\$260,000 - \$269,999	1	1	-	-
\$270,000 - \$279,999	-	1	-	-
\$320,000 - \$329,999	1	-	-	-
Total numbers	24	20	24	20
Total annualised employee equivalent	18.3	16.7	18.3	16.7
Total amount	\$4,075,788	\$3,679,343	\$3,335,488	\$3,081,344

A number of executive officers resigned or were retrenched in the past year. This has had a significant impact on total remuneration figures due to the inclusion of annual leave, long-service leave and retrenchment payments.

The Executive Officers' remuneration for the years ended 30 June 2014 and 30 June 2013 include the total salary package received during the year as well as performance bonuses relating to the years ended 30 June 2014 and 30 June 2013 respectively.

The executive officer's remuneration amounts for the consolidated entity and the parent entity are the same.

NOTE 22. REMUNERATION OF AUDITORS

	Consolidated		Parent	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Audit fees paid or payable to the Victorian Auditor-General's Office for the audit of the financial statements:				
Paid as at 30 June	23	4	23	4
Payable as at 30 June	127	142	67	83
Total financial statements audit	150	146	90	87

NOTE 23. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of cash, deposits with banks, other financial assets, accounts receivable and payable and borrowings.

Financial Risk Management Policies

The Directors' overall risk management strategy seeks to assist the consolidated entity in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis.

These include the credit risk policies and future cash flow requirements.

The Consolidated Entity does not have any derivative instruments at 30 June 2013 & 2014.

The Board of Directors, with input from management, meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Consolidated Entity in meeting its financial targets, while minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to interest rate risk and other price risk.

There have been no substantive changes in the types of risks the Consolidated Entity is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

NOTES to the Financial Statement

30 June 2014

NOTE 23. FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Categorisation of financial instruments:

Consolidated	Contractual financial assets or liabilities designated at fair value through profit/loss \$'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss \$'000	Contractual financial assets – loans and receivables \$'000	Contractual financial assets available-for-sale \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
--------------	---	---	---	--	--	--------------

2014

Contractual financial assets						
Cash and deposits	-	-	36,978	-	-	36,978
Other financial assets	-	-	100	-	-	100
Trade and other receivables	-	-	35,066	-	-	35,066
Total contractual financial assets	-	-	72,144	-	-	72,144

Contractual financial liabilities						
Trade and other payables	-	-	-	-	45,247	45,247
Secured loan	-	-	-	-	255,095	255,095
Lease liability	-	-	-	-	590,150	590,150
Total contractual liabilities	-	-	-	-	890,491	890,491

2013

Contractual financial assets						
Cash and deposits	-	-	24,696	-	-	24,696
Other financial assets	-	-	100	-	-	100
Trade and other receivables	-	-	23,482	-	-	23,482
Total contractual financial assets	-	-	48,278	-	-	48,278

Contractual financial liabilities						
Trade and other payables	-	-	-	-	24,844	24,844
Secured loan	-	-	-	-	280,100	280,100
Lease liability	-	-	-	-	640,299	640,299
Total contractual liabilities	-	-	-	-	945,243	945,243

Parent	Contractual financial assets or liabilities designated at fair value through profit/loss \$'000	Contractual financial assets or liabilities held for trading at fair value through profit/loss \$'000	Contractual financial assets – loans and receivables \$'000	Contractual financial assets available-for-sale \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
2014						
Contractual financial assets						
Cash and deposits	-	-	36,060	-	-	36,060
Other financial assets	-	-	-	-	-	-
Trade and other receivables	-	-	160,943	-	-	160,943
Total contractual financial assets	-	-	197,003	-	-	197,003
Contractual financial liabilities						
Trade and other payables	-	-	-	-	44,180	44,180
Secured loan	-	-	-	-	-	-
Lease liability	-	-	-	-	1,654	1,654
Total contractual liabilities	-	-	-	-	45,834	45,834
2013						
Contractual financial assets						
Cash and deposits	-	-	23,053	-	-	23,053
Other financial assets	-	-	-	-	-	-
Trade and other receivables	-	-	150,215	-	-	150,215
Total contractual financial assets	-	-	173,268	-	-	173,268
Contractual financial liabilities						
Trade and other payables	-	-	-	-	23,810	23,810
Secured loan	-	-	-	-	-	-
Lease liability	-	-	-	-	1,778	1,778
Total contractual liabilities	-	-	-	-	25,558	25,558

NOTES to the Financial Statement

30 June 2014

NOTE 23. FINANCIAL RISK MANAGEMENT

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

Consolidated	Net holding gain/(loss)	Total interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2014					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	1,295	-	(106)	1,189
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	-	1,295	-	(106)	1,189
Contractual financial liabilities					
Financial liabilities at amortised cost	-	(77,353)	-	-	(77,353)
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	-	(77,353)	-	-	(77,353)
2013					
Contractual financial assets					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	1,330	-	(218)	1,112
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	-	1,330	-	(218)	1,112
Contractual financial liabilities					
Financial liabilities at amortised cost	-	(83,599)	-	-	(83,599)
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	-	(83,599)	-	-	(83,599)

Parent	Net holding gain/(loss)	Total interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000	\$'000

2014**Contractual financial assets**

Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	1,295	-	(106)	1,189
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	-	1,295	-	(106)	1,189

Contractual financial liabilities

Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	-	-	-	-	-

2013**Contractual financial assets**

Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets – loans and receivables	-	1,287	-	(218)	1,069
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
Total contractual financial assets	-	1,287	-	(218)	1,069

Contractual financial liabilities

Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
Total contractual liabilities	-	-	-	-	-

NOTES to the Financial Statement

30 June 2014

NOTE 23. FINANCIAL RISK MANAGEMENT

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

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

- For Cash and cash deposits, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
- For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost; and
- For financial asset and liabilities that are held-for-trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risks. The Consolidated Entity's market risk, limited to interest rate risk, is managed on an ongoing basis by management.

(i) Interest rate risk

Interest rate risk arises from the interest bearing financial assets and liabilities that VicTrack uses. Minimisation of risk is achieved by undertaking short term interest bearing financial assets with Treasury Corporation of Victoria and established financial institutions.

Exposure to interest rate risk on liabilities is through the loan borrowing and finance lease of Rolling Stock Holdings. Minimisation of risk is achieved by 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 the year ended 30 June 2014 was 2.38% (2013: 3.08%). 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% (2013: 5.15%).

(ii) Foreign currency risk

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

The Consolidated Entity manages its risk through continuous monitoring of movements in exchange rates. Based on past and current assessment of economic outlook, it is deemed unnecessary for the Consolidated Entity to enter into any hedging arrangements to manage the risk.

The Consolidated Entity does not have any receivables due in foreign currencies and therefore there is no foreign currency risk from this asset class.

There have been no changes from previous periods.

(iii) Interest rate risk

The Consolidated Entity's sensitivity to interest rate movements is set out in the table below.

Interest rate exposure of financial instruments

Consolidated	Weighted average effective interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
2014					
Financial assets					
Cash assets	2.38	36,978	-	36,907	71
Other financial assets	5.15	100	100	-	-
Trade and other receivables	-	35,066	-	-	35,066
Total financial assets		72,144	100	36,907	35,137
Financial liabilities					
Trade and other payables	-	45,247	-	-	45,247
Secured loan	5.37-6.59	255,095	255,095	-	-
Finance lease	10.14	590,150	588,496	1,654	-
Total financial liabilities		890,492	843,590	1,654	45,247
2013					
Financial assets					
Cash assets	3.08	24,696	-	24,625	71
Other financial assets	5.15	100	100	-	-
Trade and other receivables	-	23,482	-	-	23,482
Total financial assets		48,278	100	24,625	23,553
Financial liabilities					
Trade and other payables	-	24,844	-	-	24,844
Secured loan	5.37-6.59	280,100	280,100	-	-
Finance lease	10.14	640,299	638,521	1,778	-
Total financial liabilities		945,243	918,620	1,778	24,844

NOTES to the Financial Statement

30 June 2014

NOTE 23. FINANCIAL RISK MANAGEMENT

(a) Market risk

(iii) Interest rate risk

The Parent Entity's sensitivity to interest rate movements is set out in the table below.

Interest rate exposure of financial instruments

Parent	Weighted average effective interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
2014					
Financial assets					
Cash assets	2.38	36,060	-	36,060	-
Other financial assets	-	-	-	-	-
Trade and other receivables	-	160,943	-	-	160,943
Total financial assets		197,003	-	36,060	160,943
Financial liabilities					
Trade and other payables	-	44,180	-	-	44,180
Secured loan	-	-	-	-	-
Finance lease	5.88	1,654	1,654	-	-
Total financial liabilities		45,834	1,654	-	44,180
2013					
Financial assets					
Cash assets	3.11	23,053	-	23,053	-
Other financial assets	-	-	-	-	-
Trade and other receivables	-	150,215	-	-	150,215
Total financial assets		173,268	-	23,053	150,215
Financial liabilities					
Trade and other payables	-	23,810	-	-	23,810
Secured loan	-	-	-	-	-
Finance lease	6.48	1,778	1,778	-	-
Total financial liabilities		25,588	1,778	-	23,810

(b) Credit risk

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

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

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

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

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

Credit quality of financial assets

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

	Financial institutions (AAA credit rating) \$'000	Government agencies (AAA credit rating) \$'000	Total \$'000
2014			
Consolidated			
Cash and cash deposits	8,015	28,963	36,978
Other financial assets	100	-	100
	8,115	28,963	37,078
Parent			
Cash and cash deposits	7,097	28,963	36,060
Other financial assets	-	-	-
	7,097	28,963	36,060
2013			
Consolidated			
Cash and cash deposits	4,307	20,389	24,696
Other financial assets	100	-	100
	4,407	20,389	24,796
Parent			
Cash and cash deposits	2,664	20,389	23,053
Other financial assets	-	-	-
	2,664	20,389	23,053

NOTES to the Financial Statement

30 June 2014

NOTE 23. FINANCIAL RISK MANAGEMENT

(b) Credit risk

Ageing analysis of contractual financial assets

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			Impaired financial assets \$'000
			31-90 days	91-180 days	Over 180 days	
			\$'000	\$'000	\$'000	
2014						
Consolidated						
Cash and cash deposits	36,978	36,978	-	-	-	-
Other financial assets	100	100	-	-	-	-
Trade and other receivables	35,066	30,469	4,457	70	70	(106)
	72,144	67,547	4,457	70	70	(106)
Parent						
Cash and cash deposits	36,060	36,060	-	-	-	-
Other financial assets	-	-	-	-	-	-
Trade and other receivables	160,943	156,346	4,457	70	70	(106)
	197,003	192,406	4,457	70	70	(106)
2013						
Consolidated						
Cash and cash deposits	24,696	24,696	-	-	-	-
Other financial assets	100	100	-	-	-	-
Trade and other receivables	23,482	16,843	6,306	27	306	(218)
	48,278	41,576	6,306	27	306	(218)
Parent						
Cash and cash deposits	23,053	23,053	-	-	-	-
Other financial assets	-	-	-	-	-	-
Trade and other receivables	150,215	143,576	6,306	27	306	(218)
	173,268	166,629	6,306	27	306	(218)

(c) 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 30 days from date of invoice. To minimise the exposure of liquidity risk the Consolidated Entity has a short term cash management investment policy allowing for adequate holding of high quality liquid assets to meet future cash flows. Notwithstanding the deficiency in the net current assets of \$88.2 million (2013: \$66.2 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.

(d) Maturity of financial assets/ liabilities

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

Contractual maturities of financial instruments	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
2014					
Consolidated					
<i>Liquid financial assets</i>					
Cash and cash deposits	36,978	-	-	36,978	36,978
Other financial assets	100	-	-	100	100
	37,078	-	-	37,078	37,078
<i>Financial liabilities</i>					
Trade and other payables	45,247	-	-	45,247	45,247
Due to related parties	-	-	-	-	-
Secured loans	31,951	127,805	95,338	255,095	255,095
Finance leases	66,745	424,343	99,060	590,150	590,150
	143,944	552,148	194,397	890,492	890,492
Net inflow/(outflow)	(106,866)	(552,148)	(194,397)	(853,414)	(853,414)
2013					
Consolidated					
<i>Liquid financial assets</i>					
Cash and cash deposits	24,696	-	-	24,696	24,696
Other financial assets	100	-	-	100	100
	24,796	-	-	24,796	24,796
<i>Financial liabilities</i>					
Trade and other payables	24,844	-	-	24,844	24,844
Due to related parties	-	-	-	-	-
Secured loans	30,928	123,710	125,462	280,100	280,100
Finance leases	51,016	314,497	274,787	640,300	640,300
	106,788	438,207	400,248	945,244	945,244
Net inflow/(outflow)	(81,992)	(438,207)	(400,248)	(920,448)	(920,448)

NOTES to the Financial Statement

30 June 2014

NOTE 23. FINANCIAL RISK MANAGEMENT

(d) Maturity of financial assets/ liabilities

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

Contractual maturities of financial instruments	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
2014					
Parent					
<i>Liquid financial assets</i>					
Cash and cash deposits	36,060	-	-	36,060	36,060
Other financial assets	-	-	-	-	-
	36,060	-	-	36,060	36,060
<i>Financial liabilities</i>					
Trade and other payables	44,180	-	-	44,180	44,180
Due to related parties					
Secured loans	-	-	-		
Finance leases	972	681	-	1,654	1,654
	45,152	681	-	45,834	45,834
Net inflow/(outflow)	(9,092)	(681)	-	(9,774)	(9,774)
2013					
Parent					
<i>Liquid financial assets</i>					
Cash and cash deposits	23,053	-	-	23,053	23,053
Other financial assets	-	-	-	-	-
	23,053	-	-	23,053	23,053
<i>Financial liabilities</i>					
Trade and other payables	23,810	-	-	23,810	23,810
Due to related parties					
Secured loans	-	-	-	-	-
Finance leases	990	788	-	1,778	1,778
	24,800	788	-	25,588	25,588
Net inflow/(outflow)	(1,747)	(788)	-	(2,535)	(2,535)

(e) Sensitivity Analysis and assumptions

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

- a movement of 100 basis points up and 100 basis points down
(2013: 100 basis points up and 100 basis points down) in market interest rates (AUD);

The tables in the following pages discloses the impact on the Consolidated Entity's and corporation's net result and equity for each category of financial instrument held by the Consolidated Entity's and parent entity's at year-end as presented to key management personnel, if the above movements were to occur.

(f) Sensitivity 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 \$'000	Interest rate risk			
		-1.0%		1.0%	
		Net result \$'000	Revaluation reserve \$'000	Net result \$'000	Revaluation reserve \$'000
2014					
Financial assets					
Cash and cash deposits	36,907	(369)	-	369	-
Other financial assets	100	-	-	-	-
Trade and other receivables	35,066	-	-	-	-
Financial liabilities					
Trade and other payables	45,247	-	-	-	-
Interest-bearing loans and borrowings	845,245	-	-	-	-
Total increase/(decrease)		(369)	-	369	-
2013					
Financial assets					
Cash and cash deposits	24,625	(246)	-	246	-
Other financial assets	100	-	-	-	-
Trade and other receivables	23,482	-	-	-	-
Financial liabilities					
Trade and other payables	24,844	-	-	-	-
Interest-bearing loans and borrowings	920,400	-	-	-	-
Total increase/(decrease)		(246)	-	246	-

There have been no changes in the methods and assumptions used in determining the sensitivity of financial assets/liabilities to market risk.

NOTES to the Financial Statement

30 June 2014

NOTE 23. FINANCIAL RISK MANAGEMENT

(g) Sensitivity 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	Interest rate risk				
	Carrying amount subject to interest \$'000	-1.0%		1.0%	
		Net result \$'000	Revaluation reserve \$'000	Net result \$'000	Revaluation reserve \$'000
2014					
Financial assets					
Cash and cash deposits	36,060	(369)	-	369	-
Other financial assets	-	-	-	-	-
Trade and other receivables	160,943	-	-	-	-
Financial liabilities					
Trade and other payables	44,180	-	-	-	-
Interest-bearing loans and borrowings	1,654	-	-	-	-
Total increase/(decrease)		(369)		369	
2013					
Financial assets					
Cash and cash deposits	23,053	(296)	-	296	-
Other financial assets	-	-	-	-	-
Trade and other receivables	150,215	-	-	-	-
Financial liabilities					
Trade and other payables	28,391	-	-	-	-
Interest-bearing loans and borrowings	1,778	-	-	-	-
Total increase/(decrease)		(296)		296	

There have been no changes in the methods and assumptions used in determining the sensitivity of financial assets/liabilities to market risk.

(h) Net fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

	2014		2013	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
CONSOLIDATED				
Financial assets				
Cash assets	36,978	36,978	4,307	4,307
Other financial assets	100	100	20,489	20,489
Trade and other receivables	35,066	35,066	23,482	23,482
Total financial assets	72,144	72,144	48,278	48,278
Financial liabilities				
Trade and other payables	(45,247)	(45,247)	(24,844)	(24,844)
Borrowings	(845,245)	(805,798)	(920,400)	(862,453)
Total financial liabilities	(890,492)	(851,045)	(945,244)	(891,877)
Net financial assets	(818,348)	(778,901)	(896,966)	(843,599)
PARENT				
Financial assets				
Cash assets	36,060	36,060	23,053	23,053
Other financial assets	-	-	-	-
Trade and other receivables	160,943	160,943	150,215	150,215
Total financial assets	197,003	197,003	173,268	173,268
Financial liabilities				
Trade and other payables	(44,180)	(44,180)	(23,810)	(23,810)
Borrowings	(1,654)	(1,654)	(1,778)	(1,778)
Total financial liabilities	(45,834)	(45,834)	(25,588)	(25,588)
Net financial assets	151,169	151,169	147,680	147,680

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

DISCLOSURE Index

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

Legislation	Requirement	Page ref.
Ministerial Directions		
Report of Operations – FRD Guidance		
Charter and purpose		
FRD 22E	Manner of establishment and the relevant Ministers	6
FRD 22E	Objectives, functions, powers and duties	6
FRD 22E	Nature and range of services provided	12
Management and structure		
FRD 22E	Organisational structure	11
Financial and other information		
FRD 8B	Budget portfolio outcomes	N/A
FRD 10	Disclosure index	96
FRD 12A	Disclosure of major contracts	29
FRD 15B	Executive officer disclosures	79
FRD 22E, SD4.2(k)	Operational and budgetary objectives and performance against objectives	33
FRD 22E	Employment and conduct principles	29
FRD 22E	Occupational health and safety policy	28
FRD 22E	Summary of the financial results for the year	33
FRD 22E	Significant changes in financial position during the year	33
FRD 22E	Major changes or factors affecting performance	33-34
FRD 22E	Subsequent events	N/A
FRD 22E	Application and operation of <i>Freedom of Information Act 1982</i>	29
FRD 22E	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	28
FRD 22E	Statement on National Competition Policy	30
FRD 22E	Application and operation of <i>Protected Disclosure Act 2012</i>	31
FRD 22E	Application and operation of the <i>Carers Recognition Act 2012</i>	N/A
FRD 22E	Details of consultancies over \$10,000	28
FRD 22E	Details of consultancies under \$10,000	28
FRD 22E	Statement of availability of other information	30
FRD 24C	Reporting of office-based environmental impacts	N/A
FRD 25B	Victorian Industry Participation Policy disclosures	31
FRD 29	Workforce Data disclosures	101
SD 4.5.5	Risk management compliance attestation	27
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation	27
SD 4.2(g)	Specific information requirements	N/A
SDE 4.2(j)	Sign-off requirements	37

Legislation	Requirement	Page ref.
Financial statements required under Part 7 of the FMA		
SD 4.2(a)	Statement of Changes in Equity	40
SD 4.2(b)	Operating Statement	38
SD 4.2(b)	Balance Sheet	39
SD 4.2(b)	Cash flow Statement	42
Other requirements under Standing Directions 4.2		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	43
SD 4.2(c)	Compliance with Ministerial Directions	27
SD 4.2 (d)	Rounding of amounts	55
SD 4.2 (c)	Accountable officer's declaration	37
SD 4.2 (f)	Compliance with Model Financial Report	57
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9A	Departmental disclosure of administered assets and liabilities by activity	N/A
FRD 11A	Disclosure of ex gratia expenses	N/A
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 21B	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the Financial Report	79
FRD102	Inventories	N/A
FRD 103D	Non-current physical assets	44
FRD 104	Foreign currency	86
FRD 106	Impairment of assets	44
FRD 109	Intangible assets	52
FRD 107	Investment properties	N/A
FRD 110	Cash flow statements	42
FRD 112D	Defined benefit superannuation obligations	76
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	N/A
FRD 114A	Financial instruments – general government entities and public non-financial corporations	81
FRD 119A	Transfers through contributed capital	72
Legislation		
	<i>Freedom of Information Act 1982</i>	29
	<i>Building Act 1983</i>	28
	<i>Protected Disclosure Act 2001</i>	31
	<i>Carers Recognition Act 2012</i>	N/A
	<i>Victorian Industry Participation Policy Act 2003</i>	31
	<i>Financial Management Act 1994</i>	33

APPENDICES

Board members

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

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

At year end, the Board comprised seven independent, non-executive Directors – Bob Annells (Chair), Yehudi Blacher (Deputy Chair), Sam Andersen, Brian Bulluss, David Hunter, Jenny Roche and Michael Trumble.

BOB ANNELLS *PSM* Chair

Bob was appointed to the Board in April 2012 and has extensive public and private sector experience in transport, land administration and project delivery. He is a qualified land valuer and town planner and, in an extensive public and private sector career, has held several senior positions including Director General of the Department of Lands, Parks and Wildlife in Tasmania and Chief Executive of the Melbourne Docklands Authority. He established his own consultancy business in 1999 before joining the Veolia Transport Group as Executive Chairman of Connex Melbourne, the operator of the Melbourne metropolitan rail franchise. In this role he was also Chairman of Mainco Melbourne and Chairman of Veolia Transport Australia, one of the largest transport companies in the Australia-Pacific Region. He finished his involvement with all these companies in 2008.

Bob was appointed Executive Chairman of the freight rail company TasRail in 2009 and remains as Chairman of that company. Amongst a number of other Board roles he has been Chairman of the Melbourne Convention and Exhibition Centre Trust since 1998 and has held a number of key roles in the Australian tourism industry. He was awarded the Public Service Medal in the 2001 Queen's Honours List.

YEHUDI BLACHER *PSM, BA (Hons), MA, FIPA* Deputy Chair

Yehudi was appointed a Director and Deputy Chair of VicTrack in April 2012. He brings extensive public sector experience to the Board, including land-use planning and strategic management. Yehudi is Chair of the new Freight and Logistics Committee. He was the Secretary of the Victorian Department of Planning and Community Development from 2002 to 2011. He also held Deputy Secretary level positions in the Department of Premier and Cabinet and the Department of Human Services. From 1991 to 1996 he was head of the Victorian Office of Local Government. He is a Fellow of the IPAA (Victoria) and a Professorial Fellow at the University of Melbourne.

Yehudi was appointed as the inaugural Chair of the Port of Hastings Development Authority in 2012 and has been a member of the Monash University Council since 2008.

SAM ANDERSEN *LLB, CPA, FAICD, FFinsia*
Director

Sam Andersen was appointed a Director of VicTrack in June 2010. She is Chair of the Audit and Risk Management Committee. Sam is a Board member of the Melbourne Convention and Exhibition Trust and Chair of the Risk Committee. She is a Director and Chair of the Audit Committee for Anteo Diagnostics Limited.

Sam began her career with a law degree and subsequently held senior executive positions with ANZ Bank, Commonwealth Bank of Australia and National Australia Bank. Following a career change from banking and finance into industry, Sam was appointed Chief Financial Officer at Lumacom Ltd and Chief Operating and Financial Officer of Multi-Emedia.com Ltd. She led the initial public offering for and became the Managing Director of Eyecare Partners Limited, a company which trebled in size in its first two years of operation. Sam is a former Director of Victorian Funds Management Corporation, Superpartners Pty Ltd, Rural Finance Corporation, Eyecare Partners Limited and Grain Growers Limited.

BRIAN BULLUSS
Director

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

DAVID HUNTER *FIE Aust, Dip BA, GAICD*
Director

David Hunter was appointed a director of VicTrack in September 2011 and is Chair of the Property and Environment Committee and the Heritage Advisory Panel. David is a civil engineer specialising in strategic planning for physical and social infrastructure. He has more than 40 years' experience as a civil engineer, company director and manager, including 17 years in local government and 22 years in private practice.

David has held senior management and directorship roles, including Director of Coomes Consulting Group and Director and Executive General Manager, Market Development at Downer EDI Consulting (CPG). Since retiring from full-time employment, David has established a part-time consultancy providing strategic advice to key clients.

JENNY ROCHE *BComm (Melb), GDip MMT*
Director

Jenny Roche was appointed a Director of VicTrack in March 2010. She is the Chair of the Telecommunications Committee. Jenny brings to the Board a wealth of experience in telecommunications, sales, marketing and governance. She is a Director of Board Business, a boutique management consulting firm focused on strategy, risk management, governance and executive coaching. She is an accredited director educator with the Australian Institute of Company Directors and was formerly an Executive Director of Telstra and a Director of Mobile Mentor Australia.

MICHAEL TRUMBLE *BCom, LLB*
Director

Michael was appointed a Director of VicTrack in December 2012. He is a member of the Property and Environment Committee. Michael is a leading commercial property lawyer. He was formerly a partner of the law firm Corrs Chambers Westgarth, and is now the principal of the law firm Michael Trumble Legal. He has a wealth of experience in large projects and many commercial and property transactions. In particular and until retiring from Corrs, Michael's more recent public infrastructure experience included many Melbourne Airport projects, acting for the State of Victoria on the Commonwealth Games Village, the Melbourne Convention Centre project and the Regional Fast Rail project.

APPENDICES

Consultant table

Consultant	Purpose of Consultancy	Start Date	End Date	Total Approved Project fee (excluding GST)	Expenditure 2013-14 (excluding GST)	Future expenditure (excluding GST)
Ernst & Young	Strategic Telecommunications reviews.	Jun-14	Oct-14	\$320,000	\$80,000	\$240,000
AG001815 – Competitive Neutrality and the Supply of Telecommunications Services using VicTrack Network Infrastructure	Engagement of Ernst Young to investigate and seek deliver advice on the nature and extent of VicTrack's compliance with competitive neutrality principles in relation to the delivery of services using its telecommunications network infrastructure.	Mar-14	Jun-14	\$33,300	\$33,300	\$-
AG001645 – Training Running Applications Analysis – Retirement of Copper Services	Engagement of Monitor Consulting Group – Under the current VRT Strategy – work is requested to commence scoping out the dependencies of transferring from copper to fibre. Determining the operational impact to the 40-50 "Train" applications currently utilised.	Sep-13	Sep-13	\$42,800	\$42,800	\$-
AG001800 – Property Management Portfolio – Lease Tender	Hodgson Partnership Pty Ltd – engaged to deliver market ready tender pack.	Feb-14	Jun-14	\$60,000	\$60,000	\$-
Safe Earth	Analysis of earthing infrastructure from Box Hill to Ringwood to determine the cause of high voltage electrical related incidents and making recommendations to address electrical issues.	Feb-14	Mar-14	\$13,584	\$13,584	\$-

Organisational structure

STAFF NUMBERS AS AT 30 JUNE 2014

	Total 2013	Total 2014	Male 2013	Male 2014	Female 2013	Female 2014
All staff	325	351	250	270	75	81
Full time staff	279	295	218	234	61	61
Part time staff	10	12	2	2	8	10
Fixed term temporary staff	36	44	30	34	6	10
Casual staff	0	0	0	0	0	0
By age group						
Under 25 years	1	1	1	1	0	0
25-34	71	71	48	45	23	26
35-44	95	103	72	78	23	25
45-54	95	112	77	93	18	19
55-64	58	59	47	48	11	11
65 +	5	5	5	5	0	0

APPENDICES

Mission, vision, values

MISSION

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

VISION

VicTrack's vision is 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 and environmental sensitivity and provides a range of social benefits to Victorian communities.

VALUES

Respect

We respect individuals – employees, customers and our stakeholders.

We will:

- encourage feedback and actively listen
- embrace diversity – age, gender and culture
- always strive to improve communication

Professionalism

We strive for excellence in everything we do.

We will:

- conduct ourselves with pride and high standards
- value learning and self-improvement
- promote leadership and lead by example

Achievement

We always deliver on our goals and commitments.

We will:

- challenge ourselves by setting innovative goals
- strive for success
- stay focused on our commitment

One Team

We stand for each other's success.

We will:

- work together to achieve success
- work collaboratively
- celebrate as one when we achieve success



Authorised and produced by

VicTrack
GPO Box 1681
Melbourne VIC 3001

© VicTrack August 2014

If you would like to receive this publication in an accessible format,
please telephone VicTrack on 1300 VICTRACK (1300 8428 7225).

390kg of carbon (CO₂) were neutralised using Campbell Design Group for this project www.cdgroup.biz

VicTrack

VicTrack Head Office

Level 8, 1010 La Trobe Street
Docklands Vic 3008

Telephone: 1300 VICTRACK (1300 8428 7225)

Facsimile: 03 9619 8851

www.victrack.com.au