

2020 – 2021

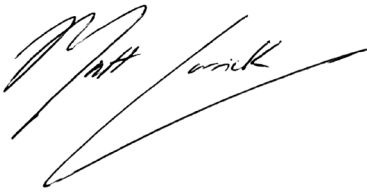


Table of Contents

Responsible Body's declaration	2
Section One: Year in review	3
Section Two: Governance and organisational structure	31
Section Three: Workforce data	43
Section Four: Other disclosures	53
Financial Statements	69
Disclosure Index	144

Responsible Body's declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present V/Line Corporation's Annual Report for the year ending 30 June 2021.

A handwritten signature in black ink, appearing to read 'Matt Carrick', with a long horizontal flourish extending to the right.

Matt Carrick
Chief Executive Officer
V/Line Corporation
21 October 2021

Section One:

Year in review

Purpose, Vision, Mission, Values

Purpose

To provide a connected and bright future for Victorians

Vision

A modern, high performing railway and coach service for all

Mission

Connecting Victoria by empowering our people to be their best

Values

Be Respectful

We value others and accept their differences

Be our best

We always strive for excellence and deliver this to our customers, colleagues and community

Be Accountable

We hold ourselves and others to account for the work that we do

Act with Integrity

We are honest, ethical, and transparent

Be bold

We challenge, share ideas and empower our people to speak up

Chief Executive Officer's Report



The past year has been a challenging one for V/Line.

In the first half of the 2020-21 financial year, V/Line's former Chief Executive Officer, James Pinder, was stood down and later terminated following an investigation by the Independent Broad-based Anti-corruption Commission (IBAC) into serious, high level corruption.

V/Line takes allegations of this nature extremely seriously and expects all staff and contractors to uphold the highest levels of integrity. We are cooperating fully with IBAC's Operation Esperance inquiry, which remains ongoing, as well as implementing a Governance Reform program to ensure our organisation does everything in its power to prevent these actions from occurring again.

Despite the difficulties of these events, as well as the continued uncertainty of the COVID-19 pandemic, V/Line staff have adapted to ensure the delivery of a safe and reliable service to passengers and freight operators across the state. Over the past year, we have continued to offer a full timetable, operating more than 2,200 train and 1,500 coach services across the network each week. Additionally, we successfully introduced a new timetable on 31 January 2021, delivering an extra 170 new weekly services across the regional network – the biggest timetable change in recent years.

Notwithstanding the impact of the COVID-19 pandemic on our patronage, we have also experienced a strong year of performance on our passenger network. During this period, network-wide punctuality increased by 4.6 percentage points, with 93.5 per cent of services arriving at their destination on time.

Service reliability has also increased over the past 12 months, with 96.1 per cent of services delivered across the network compared with 95.6 per cent in 2019-20. Pleasingly, V/Line continued to have strong train customer satisfaction in 2020-21, achieving an uplift in overall customer satisfaction to 79.5, which is 2.2 points higher than 12 months ago.

V/Line is one of the fastest growing regional railways in Australia. In recognition of the need for V/Line to evolve to meet this demand, the Victorian Government announced in June 2021 that it was taking steps to ensure V/Line was better equipped to deliver critical services for our growing communities across regional Victoria. From 1 July 2021, V/Line ceased to be a state business corporation and I was appointed as Chief Executive Officer for the next 12 months, reporting directly to the Secretary of the Department of Transport.

This significant change brings V/Line more directly into the centre of the public transport system, improving oversight and delivery of regional public transport services.

This was further re-enforced by the Victorian Government's \$613 million funding commitment for V/Line over four years, as part of the 2021-22 State Budget. This funding allocation will ensure the regional passenger and freight network continues to operate efficiently and effectively as demand continues to grow.

As part of the Victorian Government's ongoing economic response to the COVID-19 pandemic, more than \$328 million has also been invested in critical transport maintenance and upgrades across 2020-21, including \$76 million in regional rail maintenance funding under the *Building Works* stimulus package.

This funding is in addition to V/Line's \$151 million Annual Works Plan (AWP), which is delivering essential improvements and maintenance works across the rail network, including:

- significant sleeper replacement programs across the freight network
- extensive improvement works at the Maryvale paper mill
- upgrades and improvements to six V/Line stations
- important bridge upgrades
- the rollout of a state-wide program of graffiti and waste removal
- the acceleration of a crucial maintenance program on accessible classic fleet train carriages
- a program of rail milling across the network to remove rust and debris from the rail line.

Sleeper replacement programs on the freight network have been a key focus of the AWP, with more than 190,000 sleepers replaced across the freight network in the 2020-21 financial year. This work has significantly improved the condition of the network and helped ensure farmers and freight operators were supported at a time when they needed it most.

Works on the North East Line Upgrade also progressed significantly in the second half of 2020. The accelerated works have improved track condition and contributed to the improved performance on the Albury line. Following the completion of the North East Line Upgrade and a rigorous testing program, we look forward to seeing VLocity trains run on the Albury line for the first time.

Looking ahead, as part of the Victorian and Federal Governments' \$4 billion plus Regional Rail Revival (RRR) program, every passenger train line across regional Victoria is being upgraded. Rail Projects Victoria (RPV) is overseeing the program and V/Line continues to work closely with RPV to support and deliver these upgrades.

The completion of the Ballarat Line Upgrade was a major milestone of the RRR program. Work on the more than half-a-billion-dollar project was completed in January 2021, the first line upgrade to be completed as part of the RRR program. The upgrade has enabled 135 extra services to be added to the Ballarat line, including trains every 20 minutes during peak times and 40 minutes between peak times.

Upgrades are also underway on the Gippsland, Geelong, Warrnambool, Shepparton, Bendigo and Echuca lines as part of the RRR program and we look forward to continuing our support of these important projects.

These works have aided, and will continue to drive, V/Line in taking positive steps forward in our journey to become a modern high-performing rail and coach service provider. In early 2021, V/Line became the first Victorian Government agency to achieve ISO 55001 certification – an internationally recognised standard for its management of assets. Certification against the ISO 55001 standard shows that V/Line's Asset Management System for infrastructure, rolling stock and Information Communication Technology (ICT) assets is in line with the best asset management practices around the world.

Safety is at the forefront of everything we do and everyone at V/Line has an important role to play in keeping our network safe. Our Signals Passed At Danger (SPAD) rate continues to be a key focus. This measure is a critical safety indicator and in 2020-21, V/Line's technical SPAD rate was 1.18 incidents per million kilometres, making it the lowest rate ever recorded at V/Line.

Our people continue to be the driving force behind what we do and we are committed to encouraging staff to be the very best they can be. This means having the right people in the organisation, which includes bringing in new people and expertise, as well as offering new opportunities to existing staff. There are now 2,338 staff at V/Line and it's important we create an environment that encourages our people to be their best so we can continue to deliver for our passengers.

We continue to undertake a significant cultural program across the organisation, with the aim of encouraging a diverse and inclusive workplace. This focus on diversity has seen the percentage of females working at V/Line increase to 23.7 per cent in 2020-21 compared with 21.4 per cent in the previous 12 months, while 41 per cent of leadership roles are filled by women.

Another key focus has been on indigenous culture. V/Line unveiled an original Aboriginal artwork which was featured on a wrapped VLocity train in December 2020. The artwork was created by Aboriginal artist Dixon Patten, celebrating Aboriginal history and culture through the development and inclusion of Aboriginal artwork in V/Line's branding.

We continue to be proud and passionate about the role V/Line plays in communities across regional Victoria. In 2020-21, we once again supported various community partnerships, programs, events and initiatives. These initiatives include providing travel vouchers for young people in regional areas to attend life changing Doxa Foundation camps, supporting the Chill Out Festival in Daylesford that celebrates the LGBTIQ+ community and support for Travellers Aid to help our passengers with their travel needs at Southern Cross, Flinders Street and Seymour stations.

I would like to thank Gary Liddle for his hard work and efforts as Acting Chief Executive Officer in 2020-21. Everyone at V/Line valued Gary's strong leadership, knowledge and stability during a period of transition and we wish him all the very best for the future.

Our thanks also to both the Department of Transport's Head of Transport Services Nick Foa and Paul D'Alessio, EGM Operations, for stepping in as Acting CEO either side of Gary Liddle's appointment.

We are profoundly saddened by the death of our long-serving Deputy Chair Craig Cook in September 2020. Craig's contribution to the V/Line Board was significant and his passion for V/Line has been greatly missed.

I would like to thank outgoing Chair Gabrielle Bell along with outgoing directors Tom Sargent and Rachel Thomson for their hard work and commitment during their time on the V/Line Board. Our appreciation also extends to Liz Roadley and Kevin McLaine, who tendered their resignations from the Board in 2021.

Finally, I would like to thank the Executive Leadership Team and each and every V/Line employee for their hard work, commitment and resilience over the past year.

It has been a significant 12 months for V/Line, presenting a number of opportunities and challenges for us as an organisation, our people and the communities we serve.

Our aim is to continue building on our achievements over the past 12 months to ensure we make further improvements and deliver a service that our passengers deserve and expect.



Matt Carrick
Chief Executive Officer



Manner of Establishment and Responsible Ministers

This is the annual report of V/Line Corporation (V/Line).

V/Line is governed by the *Transport Integration Act 2010*, which sets out its objectives and functions. V/Line operates as a not-for-profit corporation. During the financial year, V/Line was responsible to the Victorian Minister for Public Transport and the Victorian Treasurer.

This report provides a summary of our key activities and financial performance for the period 1 July 2020 to 30 June 2021.

Department of Transport

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

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

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

While V/Line is a statutory authority, it is a key contributor of initiatives of DoT and the transport network, so Victorians can stay connected to jobs, education and each other.

V/Line Corporation

V/Line was established as a statutory corporation in 2003 and continues under the Transport Integration Act. On 14 October 2008, V/Line was declared a state business corporation pursuant to the *State Owned Enterprises Act 1992*.

During the financial year, V/Line had an independent Board appointed in accordance with the Transport Integration Act and the State Owned Enterprises Act.

Effective 1 July 2021, V/Line ceased to be a state business corporation under the State Owned Enterprises Act and under a Transport Restructuring Order (as defined in the Transport Integration Act), the Chief Executive Officer became the sole member of V/Line. Matt Carrick was appointed Chief Executive Officer commencing 12 July 2021. A new Advisory Board and Audit and Risk Committee have been established to assist the Chief Executive Officer.

No shares are held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.

Nature and Range of Services Provided

V/Line's Role

V/Line is an operating agency as part of Victoria's integrated transport portfolio, delivering services under a Partnership Agreement with DoT.

V/Line's role is:

- an accredited operator of passenger services including rail and coach
- a freight access provider
- a maintainer of railway infrastructure and rolling stock
- a key contributor towards Victoria's large infrastructure projects.

About V/Line – Services Provided

V/Line as a brand has provided public transport services to regional Victoria for nearly 40 years, operating rail services between Melbourne and:

- Geelong and Warrnambool
- Ballarat, Maryborough and Ararat
- Bendigo, Swan Hill and Echuca
- Seymour, Shepparton and Albury
- Traralgon, Sale and Bairnsdale.

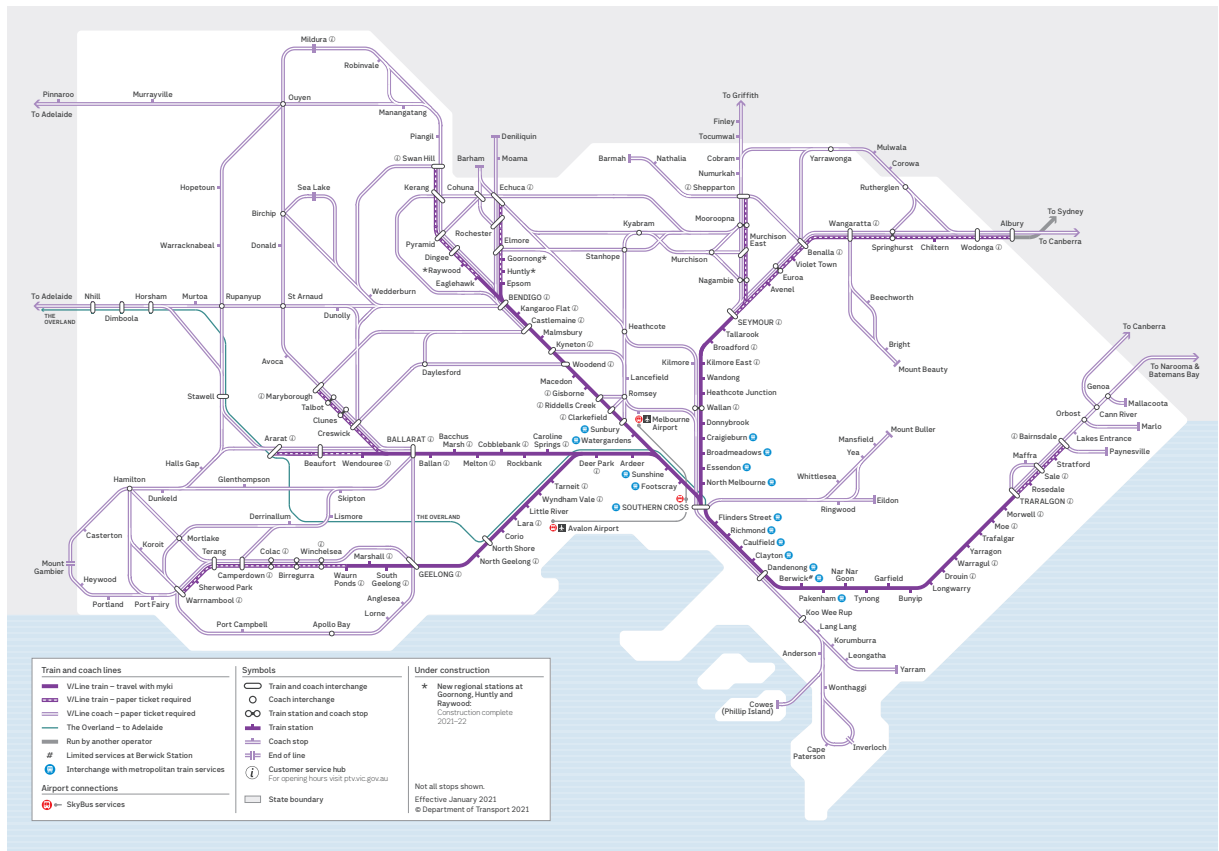
Each week, V/Line schedules more than 2,200 rail services between Melbourne and regional centres. More than 1,500 V/Line branded coach services connect the rail network and serve regional Victorian communities, while also providing interstate connections to South Australia, New South Wales and the Australian Capital Territory.

Private sector operators provide all V/Line-branded coach services under the management of V/Line.

As well as being a public transport operator, V/Line also leases, provides access to and maintains over 3,540 kilometres of rail track used by passengers and freight rail operators.

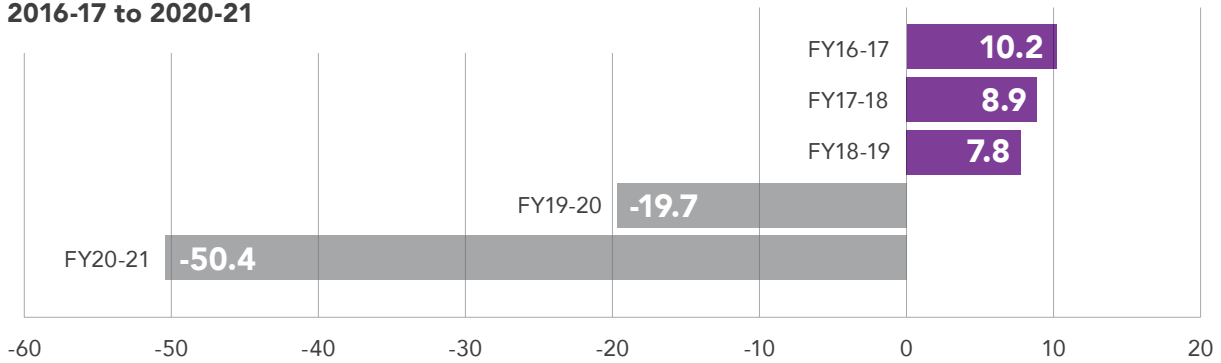
V/Line is a major employer with a workforce of 2,338 people as at 30 June 2021 including many who live and work in regional Victoria.

Passenger Network Map

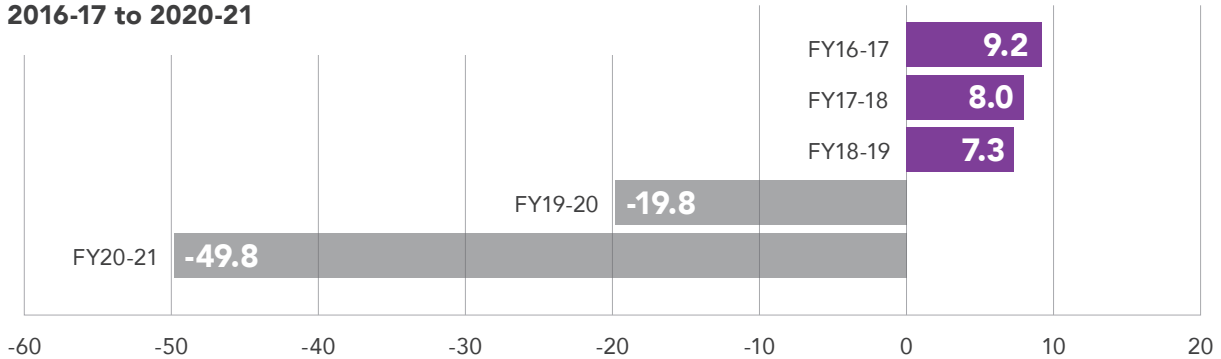


Patronage

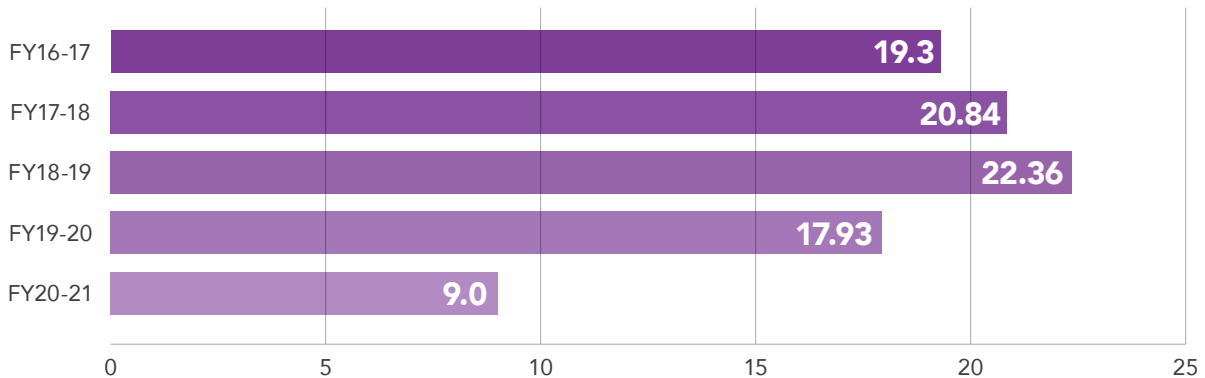
**V/Line Train Passenger Trips – % change
2016-17 to 2020-21**



**V/Line Train and Coach Passenger Trips – % change
2016-17 to 2020-21**



**V/Line Train and Coach Patronage – Millions
2016-17 to 2020-21**

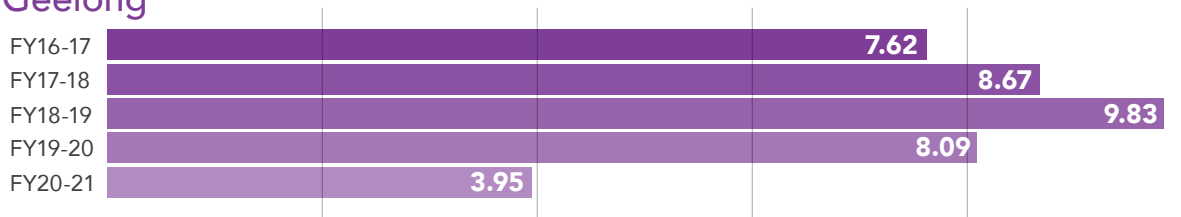


Note: FY19-20 and FY20-21 patronage impacted by COVID-19 restrictions.

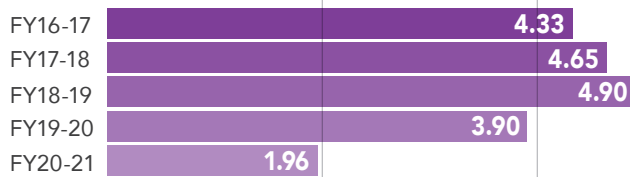


**Rail Patronage by Line – Millions
2016-17 to 2020-21**

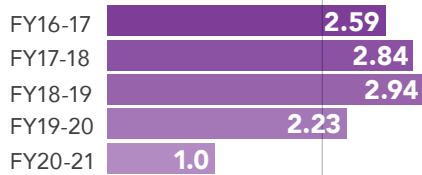
Geelong



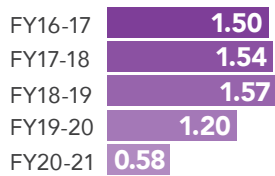
Ballarat



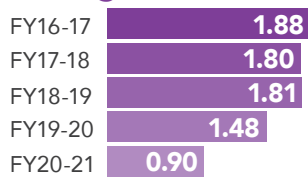
Bendigo



Seymour



Traralgon



0 2m 4m 6m 8m 10m

Note: FY19-20 and FY20-21 patronage impacted by COVID-19 restrictions.

Performance Overview

Facts And Figures

	FY20-21	FY19-20
Total customer trips (rail and coach)	9,002,248	17,933,668
Rail passenger trips	8,380,233	16,900,133
Coach passenger trips	622,015	1,033,535

Stations

Total number of stations	95	95
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Customers

Overall customer satisfaction – trains	79.5	77.3
Overall customer satisfaction – coaches	83.1	83.9
Number of customer information enquiries	131,595	198,771
Number of feedback cases	5,909	11,824
Number of on-train consultation sessions with passengers	0*	2*
Compulsory compensation paid to passengers for V/Line not meeting on-time targets (complimentary ticket value)	\$3,208	\$147,094
Farebox revenue	\$32.6 million	\$76.0 million
Farebox (per cent breakdown)	65 per cent full fare	72 per cent full fare
	35 per cent concession	28 per cent concession

* Impacted by COVID-19 restrictions.

Finance

Total income	\$1.0 billion	\$1.0 billion
Total expenses	\$1.0 billion	\$0.9 billion
Income tax benefits/(expenses)	\$(2.2) million	\$1.3 million
Net result #	\$20.5 million	\$14.3 million

Includes tax, realised gains/losses on financial instruments and discounting movement in leave provisions.

Employees

Full-time staff	2,177	2,100
Total staff	2,338	2,253

Facts And Figures

FY20-21

FY19-20

Fleet

VLocity carriages	264	264*
Locomotives	33	33
Loco-hauled carriages	133	133
Sprinters (single unit)	21	21

* Note: VLocity Units VL80 to VL88 (27 carriages) were provisionally accepted in FY 19-20 and entered revenue service in FY 20-21.

Health, Safety and Environment

SIFR (Serious Injury Frequency Rate) = LTI (Lost Time Injury) and MTI (Medically Treated Injury) per million hours worked	16.2	26.65
Signals passed at danger (SPAD) per million km (Human Factors + Technical)	2.99	3.18
Signals passed at danger (SPAD) per million km (Human Factors only)	1.81	1.79
Emissions Intensity – tonnes per 1000 passenger kilometre (tCO ₂ -e/1000 Pass km)	0.28 [†]	0.13 [†]

[†] Emission results are based on the most current data available at the time of reporting (previous data is updated as a result).
Note: COVID-19 restrictions have significantly impacted emissions intensity due to reductions in passenger numbers.

Service Delivery

Reliability overall (commuter and long-distance services, average monthly performance)	96.1	95.6
Reliability – commuter	95.9	95.4
Reliability – long-distance	96.9	96.4
Punctuality – commuter ¹	93.5	89.8
Punctuality – long-distance ²	93.4	84.2
Number of services – commuter	84,028	79,179
Number of services – long-distance	13,415	14,773
Number of services that left on time from originating station	81,923	79,258

¹ On time to five minutes and 59 seconds

² On time to 10 minutes and 59 seconds

Performance Reporting (Non-Financial) – achievements, operational performance and key initiatives

Delivering our services

Coronavirus (COVID-19)

During the COVID-19 pandemic, V/Line continued to provide an essential service to communities across Victoria by operating a full train and coach timetable over the past 12 months. V/Line worked hard to ensure it was adhering to government advice and operating in a COVID safe environment at all times. This included supporting staff to ensure they felt safe and supported in the workplace, ensuring staff were provided with the correct personal protective equipment, monitoring patronage levels and keeping staff and passengers up to date with important health messages and advice.

Operational performance

Across the V/Line network over the past financial year, 93.5 per cent of services arrived at their destination on time compared with 89.8 per cent in 2019-20. The 4.6 point increase is due to a concerted focus on initiatives to lift performance, including the introduction of modernisation initiatives, timetable adjustments, station platform management, better coordination with metropolitan services, improvement and upgrade works, and the safe removal of temporary speed restrictions. Lower passenger volumes also led to a reduction in delays resulting from the extended boarding times on our busier services. V/Line achieved its highest on-time performance result in August 2020 of 96.4 per cent and exceeded the 92 per cent punctuality target in all but three months. The top performing corridor for punctuality over the past 12 months was the south-west, with 95.9 per cent of 34,410 services arriving at their destination on time.

The top performing line for punctuality over the past 12 months was the Echuca line (northern corridor), with 96.6 per cent of services arriving at their destination on time in 2020-21. This was followed by the Geelong line (south-west corridor), which achieved a punctuality result of 96.1 per cent and the Bacchus Marsh line (western corridor) with 94.8 per cent of services delivered on time.

For reliability over the past financial year, 96.1 per cent of scheduled services were delivered across the network compared with 95.6 per cent in 2019-20. Across the network, V/Line achieved the 96 per cent reliability target seven out of the past 12 months. In 2020-21, the eastern corridor had the highest reliability result of 97.3 per cent. The Echuca line achieved the highest reliability results across the 12 months, with 99.3 per cent of services being delivered. This was followed by the Bairnsdale line (eastern corridor), recording a reliability result of 98.6 per cent.

Modernisation

In V/Line's quest to become a modern, high-performing railway, a focus on modernisation projects has been a priority over recent years. In September 2020, the organisation replaced the legacy outdated fleet rostering system (LACRS) and transitioned to a new operational management system called TrackR. This upgrade has improved fleet management capability. When combined with the RAMS replacement – which is a service monitoring and reporting system commissioned within TrackR in 2019 – staff now have improved access to up-to-date, real-time information of train services on their mobile devices, including train consist and platform information to improve operational decision making to better inform passengers.

The Operations team

V/Line welcomed its first all-female group of trainee drivers to the team in 2020-21. The class of eight trainees all come from non-rail backgrounds, bringing with them a diverse range of experiences. The group commenced classroom theory training in February 2021 following a comprehensive selection process to ensure the best possible candidates were selected. The training program features several modules including classroom training, simulator training and experience on the network with a team of practical driver trainers. Recruits from this class will be entering the network as fully qualified drivers in mid-2022.

V/Line now has more than 500 drivers and is continuing to expand its workforce to help meet the needs of growing communities in regional Victoria.

V/Line established a new digital team in 2020-21, comprising a Digital Customer Experience and Ticketing Manager, Digital Customer Experience Officer and dedicated developers in the Information Technology team. The additional resources have helped to ensure a stronger focus on digital improvements, benefiting both staff and passengers.

Customer service

Overall customer satisfaction with train services in 2020-21 was 79.5, compared with 77.3 the previous financial year. Customer satisfaction for coach services remained much the same, achieving 83.1 in 2020-21 compared with 83.9 in 2019-20. The sustaining of these strong results reflect the considerable work undertaken in recent years on lifting the performance of the network, focusing on continuous improvement of punctuality and reliability, and an improved overall customer experience.

The development of the Customer Charter Improvement Program has focused on identifying and implementing improvements and initiatives that align with V/Line's Customer Charter. Under the key pillars of safety, performance, customer services, information and comfort, the program ensures there is a concerted effort put into delivering the things that matter most to passengers.

In helping to ensure customer service remains a focus, V/Line established its own Certificate III Rail Customer Service training course in 2020-21. The training is validated by an external independent body and gives staff the opportunity to undertake a formal qualification in customer service. The program is helping to ensure V/Line is delivering a high standard of training to its people and encouraging staff to be their best so they bring their best to passengers.

In October 2020, V/Line launched its new online booking system to help passengers plan and book their journeys on long distance trains and coaches. Passengers receive a quick fare quote and can book in four simple steps. Passengers can also now book a journey that runs across multiple rail lines and coach routes. During the launch period, customer satisfaction was measured using a website feedback tool, which indicated 66 per cent of passengers liked or loved the new online booking experience.

Network services

V/Line plays a key role in the planning and delivery of many complex and large scale planned disruptions to support major projects and improvement works on the regional and metropolitan public transport networks in 2020-21. This has included the development of several temporary timetables to give passengers greater certainty when planning their travel while works were underway along a corridor or section of a line.

Network Disruption Management Plans were developed and rolled out across all five rail corridors for major unplanned disruptions. These plans help ensure V/Line is providing a safe, timely and coordinated response to major unplanned disruptions so passengers can still get to where they need to go.

As part of V/Line's ongoing response to the COVID-19 pandemic, we have worked closely with more than 100 coach operators to ensure compliance with health guidelines. This has included planning and implementing numerous service changes required to facilitate periodical border restrictions.

We continue to deliver a major coach reform project which involves a review of, and changes to, the coach procurement and deployment process for planned and unplanned disruptions, designed to achieve operational improvements.

Security and resilience

V/Line has successfully managed changing operational and staff restrictions and government requirements in relation to the COVID-19 pandemic response.

A new depot for Authorised Officers (AOs) was opened in Deer Park in 2020-21. Combined with the increased number of AOs to 20 in total, this resulted in improved coverage and support during the peak periods.

Emergency services were given first-hand insight into V/Line's train fleet as part of efforts to ensure crews are equipped to respond to potential incidents on the rail network. As we safely transitioned to COVID normal, V/Line recommenced its train hazard familiarisation sessions in April 2021, giving emergency services crews the opportunity to undertake guided walk throughs of VLocity and classic fleet trains. The sessions are extremely valuable in helping to ensure our first responders have some exposure to rail infrastructure in a safe environment and are aware of any potential risks in the event of an incident.

Managing our Assets

V/Line is responsible for managing and maintaining more than 3,540 kilometres of track and 191 yards and railway sidings across the state. V/Line plans and delivers important maintenance and renewal works across both the passenger and freight networks.

International certification – ISO 55001:2014 Asset Management System

In early 2021, V/Line became the first Victorian Government agency to achieve ISO 55001 certification – an internationally recognised standard for management of assets.

Certification against the ISO 55001 standard shows that V/Line's Asset Management System for infrastructure, rolling stock and ICT assets is in line with the best asset management practices around the world.

The certification applies to all V/Line assets under V/Line's control, including trains, tracks, signals, stations, structures and ICT, and acknowledges work done in all parts of the asset management process, including strategic planning, financial management, assurance, risk management and planning alongside physical inspections, maintenance and renewal programs.

Achieving the ISO 55001 certification demonstrates that V/Line has reached an initial maturity milestone and V/Line will continue to improve its asset management processes to maintain certification into the future.

Maintenance and renewal works

V/Line has delivered \$151 million in improvements and maintenance works across the rail network over the past financial year, plus the additional work under the *Building Works* stimulus package. The careful planning and scoping of the AWP helps to ensure the ongoing upkeep of the rail network to ensure V/Line can continue to offer a safe, reliable and comfortable service to passengers.

To ensure this vital work could progress during the COVID-19 restrictions, V/Line closely followed the Department of Health and Human Services (DHHS) guidelines as they applied to work sites.

V/Line completed an extensive sleeper replacement program across the passenger and freight networks in 2020-21. These works are essential for the ongoing upkeep of the rail network, ensuring trains can continue to operate safely and reliably.

On the passenger network, a program of works to replace more than 26,000 sleepers along the Warrnambool line was completed in July 2020. As part of the \$8.1 million works package, crews replaced timber sleepers with concrete in the section of track between Colac and Waurn Ponds. The crews worked through the night in 10-day blocks to help minimise the disruption to passenger services.

In August 2020, crews began a program of works to replace 34,000 sleepers along the Ararat line. More than 50 V/Line staff and contractors worked through the night in 10-day blocks to complete the \$9.5 million sleeper replacement program between Wendouree and Ararat.

V/Line also completed a significant sleeper replacement program on the state's freight network in the 2020-21 financial year. This included works between Rainbow and Dimboola, Hopetoun and Murtoa, Korong Vale and Sea Lake and Korong Vale and Dunolly. Further details of these important works can be found in the freight section of this report.

V/Line crews undertook maintenance and renewal works across all five corridors on the regional network over the past 12 months.

In November 2020, a two-week maintenance blitz along the Bendigo, Swan Hill and Echuca lines saw more than 150 staff work around the clock in shifts to complete the package of works, which included track, signalling and structure improvements.

Crews also delivered important safety upgrades at four level crossings in Kerang by upgrading train detection technology and adding boom barriers to the existing bells and flashing lights, significantly improving safety for road users, trains and the community. In addition, crews replaced more than 8,000 sleepers along the Echuca line.

A week-long program of maintenance and upgrade works was completed along the Geelong and Warrnambool lines in February 2021. More than 350 staff were on site to complete the works, which focused on track maintenance at key locations, as well as major upgrades to several rail bridges. In the busy section of track between Geelong and Lara, crews replaced 900 metres of rail and renewed rail joints, train detection technology and sections of track. Rail bridges in Moriac and Cudgee, as well as culverts in Buckley and Panmure, also received major upgrades.

In April 2021, a crew of more than 200 V/Line staff and contractors worked along the Seymour and Shepparton lines, completing bridge repairs, track maintenance, mud hole removal, culvert works, signalling upgrades and repairs to some platforms. Renewal works were also completed at three level crossings, which involved pulling up the road surface, completing repairs to the tracks underneath and then relaying a new surface at the crossings, helping to improve safety and ensure the ongoing upkeep of the line.

In May 2021, crews completed an 11-day maintenance blitz along the western corridor. The program of works included major infrastructure renewals along the Ballarat line, including track maintenance, resurfacing and bridge and culvert works along the line, as well as replacing rail at Rowsley. On the Ararat line, crews completed mud hole removal at several locations and also upgraded signalling technology on the Maryborough line.

In May 2021, V/Line completed maintenance and renewal works on the Traralgon and Bairnsdale lines as part of its annual program of major infrastructure renewal. The package of works included mudhole removals and upgrades to the Ligar Street level crossing. To help minimise disruptions to passengers, V/Line has also taken the opportunity to complete maintenance and improvement works along the Gippsland line at various times over the past 12 months while coaches have been replacing trains due to level crossing removal works in the metropolitan area.

V/Line crews, under the Early Work Night Occupations (EWNO) program, completed more overnight works than ever before across all five corridors during the 2020-21 financial year. This has drastically reduced the disruption to passenger services during busier times on the network and significantly improved V/Line's Technical Maintenance Plan (TMP) compliance to more than 98 per cent on a regular basis. Working at night is also safer for maintenance staff because it removes the need to do this kind of maintenance while trains are operating during the day, especially on the busiest corridors.

Track asset quality has improved year-on-year and there have been fewer speed restrictions imposed on V/Line's busiest corridors. The EWNO program has allowed for improved tamping plans and targeted areas of concern.

The improved management of heat speed restrictions on the rail network has also continued to be a key focus over the past 12 months. A lot of work goes into planning and preparing for the summer months to minimise the impact of heat speed restrictions. Despite several days of extreme heat, there was no loss of track alignment reported for the entire network during the 2020-21 summer period. V/Line also continued to undertake its vegetation management plan and fire prevention plan over the past 12 months.

Building Works stimulus package

As part of the Victorian Government's ongoing economic response to the COVID-19 pandemic, \$328.4 million was invested in critical public transport and roads maintenance and upgrades across 2020-21.

For V/Line, \$76 million was invested in regional rail maintenance under the *Building Works* stimulus package. This has delivered over 90 jobs and significant sleeper replacement programs across the freight network, extensive improvement works at the Maryvale paper mill, upgrades and improvements to six V/Line stations, important bridge upgrades, the rollout of a state-wide program of graffiti and waste removal, the acceleration of a crucial maintenance program on accessible classic fleet train carriages and a program of rail milling across the network to remove rust and debris from the rail line.

Sleeper replacement programs on the freight network have been a key focus, with more than 190,000 sleepers replaced across the freight network in the 2020-21 financial year. The work included ballast renewal, track resurfacing and more than 1,065 metres of mud hole removal works, as well as yard and drainage works. This work has significantly improved the condition of the network and helped ensure farmers and freight operators were supported at a time when they needed it the most.

A major graffiti and waste removal project across the V/Line network commenced in May 2021, targeting known hotspots and improving amenity for both passengers and local communities. As part of the *Building Works* stimulus package, \$1.1 million has been invested to remove rubbish and graffiti from targeted locations across the regional rail network. Large piles of rubbish and other illegally dumped items near the tracks in Melton were among the first sites to be cleaned up.

Graffiti was removed from rail bridges in the historic gold mining town of Chewton and the busy Moorabool Street underpass in South Geelong. These works involved careful planning with rail and road authorities and were completed by specialist contractors working under controlled conditions, coordinated around train services. Graffiti and waste removal also took place simultaneously across the network, with local contractors sourced where possible to further support communities. Future works are planned at approximately 100 sites across the network as part of the *Building Works* stimulus package.

Important bridge upgrades have been made possible, thanks to the *Building Works* stimulus package. This included the 81-year-old rail bridge over Ironbark Road in Ingliston along the Ballarat line, which was upgraded with strengthened trestles and new restraint blocks in May 2021.

Crews have also been making their way across the regional network, completing an extensive rail milling program. This is vital for removing rust and debris from the rail line, ensuring a smoother ride, reducing the wear and tear on trains and keeping train detection systems working effectively.

The *Building Works* stimulus package saw upgrades and improvements to six V/Line stations across 2020-21. Melton, Lara, North Geelong, North Shore, Kilmore East and Broadford stations received a share of the \$24 million package to support jobs and deliver improved facilities for passengers across the regional network.

On the Ballarat line, preliminary investigation works at Melton station were completed in September 2020 and the contract was awarded for station upgrades in February 2021. Upgrade works started in March 2021 and ramped up in April, with a focus on a new station entrance, seats and shelters on platform one along with works on the platform surface. The station upgrade works also include a new footpath connecting the new entrance to the Exford Road level crossing, four new accessible parking spaces and upgrades to information displays and security cameras.

At Lara station on the Geelong line, a refurbishment of the waiting room was completed in February 2021. A team of six contractors worked on site to deliver a fresh coat of paint for the waiting room and new carpet, to help make the precinct more inviting and comfortable for passengers. Planning was also underway for an upgraded canopy and seating on the station platform, as well as an improved public announcement system on the platform to be delivered in the second half of 2021.

Design work was also undertaken for upgrades and improvements to the North Geelong and North Shore stations, with both packages of works expected to be rolled out in the second half of 2021 to help meet the needs of passengers along V/Line's busiest corridor.

In January 2021, the first stage of improvement works was completed at Kilmore East station on the Seymour line. The initial works involved a fresh coat of paint for the station façade, landscaping in the station car park precinct, upgrades to the existing car park to improve accessibility and lighting upgrades. Planning is also underway for an upgraded shelter, improved public announcement system on the station platform and refurbished bathroom amenities to be delivered in the second half of 2021.

At Broadford station on the Seymour line, planning for upgrade and improvement works was also underway in 2020-21 with the package of works expected to be rolled out in the second half of 2021.

Fleet

Construction of nine three-carriage VLocity trains that made up the 2017-18 order from the Victorian Government was completed in 2020-21 and rolled out onto the network in late 2020. All the new VLocity trains include quiet carriages, two onboard toilets (including one accessible toilet), space for up to six bicycles and mobile signal boosters, delivering improved mobile coverage for passengers. The new trains feature seating for 222 passengers in each train, with tray tables available on more seats than previous VLocity models. The trains were manufactured in Victoria and were progressively rolled out onto the V/Line network following the completion of construction and a comprehensive testing program.

V/Line welcomed the Victorian Government's announcement of the contract award for a new bio-wash facility for the regional network in May 2021. A contractor has been awarded the tender to construct the \$7.9 million facility in Bendigo and works are now underway. V/Line currently has access to one bio-wash facility at South Dynon, near Southern Cross Station, so the construction of an additional facility in regional Victoria will help speed up the process to ensure trains can return to service sooner. It will also help cater for the growing number of new trains which have been rolled out onto the regional network in recent years. The new indoor facility will feature state-of-the-art cleaning equipment and elevated railing, allowing staff to complete thorough inspections and clean all parts of a train before it returns to service.

In May 2021, a new refresh program kicked off on V/Line's fleet of Sprinter trains to replace the external liveries with a new purple, yellow and white design. The new design reflects the current look of most other regional trains. Trains usually have their livery updated as part of major maintenance works but with support from DoT, this program has been accelerated. V/Line has 21 single-carriage Sprinter trains in service and many of them are named after well-known sportspeople. The first train to go through the livery upgrade and return to the network was named after marathon runner Steve Moneghetti.

Freight

Freight makes up an integral part of the V/Line network. We work closely with DoT, Freight Victoria, operators, cargo owners and other key stakeholders to improve the efficiency of rail freight operations across the state, helping to minimise congestion on the state's road network by taking more freight trucks off the roads.

The Victorian Government continues to recognise the importance of investment in regional rail maintenance and growth in Victoria's rail freight network. In 2020-2021, the government invested more than \$50 million in regional rail maintenance under the *Building Works* stimulus package. These works focused on the freight network as a priority by ensuring the quality and integrity of the network, whilst also further helping to take more freight trucks off the roads. V/Line's sleeper replacement programs on the freight network have been a key focus of this investment.

In October 2020, crews replaced 38,485 sleepers on the Rainbow to Dimboola freight line, representing 100 per cent completion of planned sleeper replacement works through this section. This followed works in the previous year to replace 5,000 sleepers along the 66 kilometre section of track and supplementary track maintenance in April 2020, resulting in the reopening of the line and return of freight services. In January 2021, crews also completed renewal works at three level crossings along the Rainbow Dimboola line. The works involved pulling up the road surface, completing full repairs to the tracks underneath and then re-laying a new surface at the level crossings, improving safety and the condition of the freight line.

In December 2020, work started to replace more than 28,000 sleepers on the Hopetoun to Murtoa freight line. More than 50 V/Line staff and contractors delivered the package of works along the 112-kilometre section of track between Hopetoun and Murtoa in the state's north-west. Joint maintenance works on the Murtoa and Hopetoun line were also undertaken in parallel to the sleeper replacement works and are now complete.

Following completion of the Hopetoun project, a total of 85,110 sleepers were installed along the 141-kilometre section of track between Korong Vale and Sea Lake. This important freight line services two major grain terminals – Cargill's Sea Lake facility and Emerald's Nullawil facility. Level crossing renewal works were also completed at four sites along the line, as well as track maintenance works. Joint maintenance works also commenced in May 2021 and progressed well with more than 5,767 joints completed between Sea Lake and Wycheproof by mid-June 2021.

In order to fast track the sleeper replacement program, additional resources started on the section of track between Korong Vale and Dunolly in May 2021. Crews replaced on average around 1,200 sleepers each day, working towards replacing more than 35,000 sleepers in total as part of the program of works. Between Korong Vale and Inglewood, a total of 16,921 sleepers were installed, with more than 20,300 sleepers installed between Inglewood and Dunolly. In addition, joint maintenance works were also undertaken, with more than 4,000 joints completed by mid-June 2021.

Along with each of the sleeper replacement programs, crews also replaced ballast and completed important supplementary maintenance works along each of the freight lines whilst out on site. The primary purpose of this was to further improve the condition of the tracks and freight network as a whole, and all of the programs of works were scheduled strategically, to minimise the impact to freight services.

Freight volumes increased by one million tonnes over the past financial year. Grain continued to move to the ports of Geelong and Melbourne during the year on the standard-gauge and broad-gauge corridors. There was a significantly higher volume moved this year compared with the previous 12 months, with an increase of more than 600,000 tonnes and a 35 per cent increase in the number of services operated. Grain continued to be moved on the newly opened line from Rainbow to the Port of Geelong, with another 100,000 tonnes of grain moved on this line.

During the year V/Line addressed key pinch-points on the freight network and consulted with our freight stakeholder community to deliver efficient capability across the network.

Some corridors continue to have freight moving on them almost daily, such as the Warrnambool line with the WestVic freight train, the Maryvale paper train that carries containers to the Port of Melbourne six days a week, and the Kilmore East Quarry train.

The year ahead will see the continuation of container freight and regular services, plus an expectation from the grain industry of more than seven million tonnes of grain to be exported through the ports of Geelong, Melbourne and Portland.

Supporting Victoria's Big Build and State Projects

V/Line is responsible for delivering major projects across the rail network. The Program and Delivery team has continued to work during the COVID-19 pandemic in line with all public health guidelines, ensuring that vital works could progress whilst keeping workers and communities safe.

V/Line upgrades and improvements

V/Line managed the delivery of \$270 million in improvements across the network in 2020-21, including State Projects, the AWP and deliverables from the Victorian Government's *Building Works* stimulus package.

Regional Rail Revival Program and major transport projects

V/Line works closely with RPV to deliver the Victorian and Federal Governments' investment of more than \$4 billion in the RRR program. The RRR program involves upgrading every passenger train line across regional Victoria and V/Line has been contracted to deliver several key projects, as well as work closely with interface teams to oversee the staged delivery of other upgrades and improvements.

Work on the more than half-a-billion-dollar Ballarat Line Upgrade was completed in January 2021, which is the first line upgrade to be completed as part of the RRR program. The upgrades enabled 135 extra services to be added to the Ballarat line across the duration of the project, including trains every 20 minutes during peak times and 40 minutes between peak times, to service the growing communities in the region. The project has delivered critical infrastructure needed for the new services, including track duplication, passing loops, signalling upgrades, new platforms and extra track at key stations. As part of the project's construction alliance, V/Line completed and commissioned the new Maddingley stabling facility, which was a major milestone for the project.

The Gippsland Line Upgrade is delivering benefits for passengers on the Gippsland line. The new Avon River Bridge in Stratford, which was completed three months ahead of schedule in December 2020, is allowing V/Line trains to travel faster in this section as they no longer need to slow down to 10 km/h. With support from V/Line through the project alliance, RPV has awarded the contract to design and build the Gippsland Line Upgrade's major package of works between Pakenham and Traralgon, and works are underway. The project also includes a Victorian-first trial of solar-powered wireless level crossing detection technology at Farrells Lane in Stratford. V/Line engineers have started work on the detailed designs for the crossing and following rigorous testing, the crossing will be upgraded to a fully active level crossing using wireless, solar powered technology to operate new boom gates and

flashing lights and bells, helping to improve safety for vehicles and trains.

Construction on the Ararat Train Stabling Upgrade has been completed, doubling the capacity of the existing stabling facility and enabling an extra weekday passenger service to Ararat as part of the new timetable that started on 31 January 2021. RPV contracted V/Line for the upgrade, which included the installation of 115 metres of track, building 75 metres of security fencing, lighting and electrical works, and installing 500 metres of asphalt for paths.

Upgrades to 12 level crossings along the Warrnambool line have been completed. V/Line was contracted by RPV to install boom gates, bells, flashing lights and improved train detection technology at crossings between Wauran Ponds and Warrnambool, making them safer for motorists, pedestrians and train passengers. Construction is now underway on signalling upgrades and the new Boorcan crossing loop as part of Stage 1 of the Warrnambool Line Upgrade, which will allow for a fifth weekday return service between Warrnambool and Melbourne, giving passengers more choice on when to travel.

Work also progressed on the \$1 billion plus investment in the staged upgrade of the Geelong line in 2020-21. RPV has awarded the contract to design and build the Wauran Ponds station upgrade and Stage 1 of the Wauran Ponds stabling facility, with work underway on both projects, while planning and development work is also underway for the South Geelong to Wauran Ponds duplication.

As part of the Bendigo and Echuca Line Upgrade, V/Line has been contracted by RPV to deliver a modernised electronic train order system, which will be the first of its kind in Victoria. The new train order system will enable more frequent services between Epsom, Eaglehawk and Bendigo as part of Bendigo Metro Stage 2. Electronic train orders use on-board telecommunications equipment to identify a train's position on the network and communicate it electronically to the train controller, where it is verified by a computer.

The new system is a significant step in V/Line's journey to becoming a more modern railway and will help pave the way to allow more trains to operate on these sections of track. A contractor has also been appointed to deliver the three new stations at Goornong, Huntly and Raywood as part of the Victorian Government-funded Bendigo Metro 3 Project.

V/Line continues to support the Shepparton Line Upgrade. The stabling upgrade at Shepparton station, as part of Stage 1 of the project enabled 10 extra weekly services on the Shepparton line, and work is underway to deliver Stage 2, which will enable VLocity trains to travel on the line for the first time.

V/Line passengers at Wallan station are also now enjoying the benefits of an upgraded waiting room. The city-bound waiting room now includes new toilets, improved comfort and amenities for passengers, and is staffed during the busy morning peak to help passengers with their travel needs. V/Line is closely supporting VicTrack, Level Crossing Removal Project (LXRP) and RPV with their work to deliver new and upgraded car parking at stations across the V/Line network

As part of the Safer Country Crossing Program, Statewide Railway Crossing Upgrade Program and AWP, nine level crossing upgrades have been completed by V/Line in the 2020-21 financial year. These works have significantly improved safety for trains, vehicles and communities across the state. These upgrades have also resulted in the safe removal of temporary speed restrictions at the crossings, improving the performance of trains travelling through these sections of track.

V/Line is closely supporting the LXRP on its work to remove three level crossings on the V/Line network. The level crossings at Fitzgerald Road in Ardeer, and Robinsons Road and Mt Derrimut Road in Deer Park have been earmarked for removal along the Geelong and Ballarat train lines. Early works at Fitzgerald Road, including site establishment and service and utility relocation, are underway and these works will pave the way for major construction to start later in 2021. Major works at Robinsons Road are underway and construction to remove the Mt Derrimut Road level crossing, as well as

build a new station at Deer Park, will start in the second half of 2021.

V/Line also continues to support other major transport projects across Victoria, including the Metro Tunnel Project, Western Rail Plan and Melbourne Airport Rail.

New timetable

V/Line introduced a new timetable on 31 January 2021, delivering an extra 170 new services across the regional network. An extra 280 services were also added to the metropolitan network each week, making it the biggest timetable change in years. V/Line played a key role in the planning, development and delivery of the new statewide timetable and worked closely with DoT, Metro Trains Melbourne (MTM) and various other stakeholders over more than two years as part of the redesign. The Ballarat line is now benefiting from 135 new weekly services, with an extra 45 during peak times following the completion of the Ballarat Line Upgrade. The changes also allowed for 35 extra services each week for Geelong line passengers, more morning express services to reduce travel time on the Bendigo line and extra stops to cater for communities along the Traralgon line. The new timetable has also seen the re-coordination of 40 V/Line coach routes with the new train timetable.

North East Line Upgrade

Works on the North East Line Upgrade progressed significantly in the second half of 2020. The project was able to be fast-tracked with coaches replacing trains on the Albury line between July and November 2020 while the New South Wales and Victoria border was closed as a result of COVID-19 restrictions.

V/Line passenger trains returned to the improved line on 1 December 2020. The accelerated works have significantly improved the condition of the track and contributed to the improvement in performance results for the line. V/Line has played an important role in providing strategic advice and input into the project, as well as managing operational requirements of the new infrastructure.

New standard-gauge VLocity trains

VLocity trains will run to Albury for the first time following the completion of the North East Line Upgrade and a rigorous testing program. V/Line continues to play a key role in the planning, design, customer readiness and delivery of new standard gauge VLocity trains for the north-east, as well as exploring options for stabling facilities. Following significant consultation between V/Line, DoT and key regional stakeholders, final designs for the new, more reliable VLocity trains were released in April 2021 with construction progressing throughout 2021. The trains will be the first VLocity trains to run on standard gauge tracks in Victoria.

Other initiatives

V/Line continues its involvement in planning and developing major Victorian and Federal Government projects through modelling service plans, mapping out infrastructure requirements, planning network and driver training requirements.

In the past 12 months, V/Line also became an active member of the Integrated Modelling Group (IMG). The group has representatives from V/Line and MTM and is overseen by DoT. The IMG provides critical modelling and analytical support for the development and implementation of future network changes, with a strong focus on whole-of-network outcomes.

V/Line also continued its partnership with RMIT University to promote rail operations and rail systems modelling for the next generation of university graduates. V/Line successfully engaged an intern to be part of the Network Development and Integration team.

Corporate

V/Line has developed and commenced the implementation of a comprehensive, organisation-wide plan to transform V/Line's governance, culture and processes, ultimately improving outcomes for government, our customers and our people. The Governance Reform program is underpinned by three key objectives, demonstrating V/Line's commitment to change: culture and behaviours; skills and systems; and governance, accountability and risk. V/Line has engaged external expertise to assist with a number of key reviews.

Community partnerships

V/Line's support for regional Victorian communities continues to grow and strengthen each year. This is something everyone at V/Line is very passionate about and over the past 12 months, we have continued our commitment to strengthen existing community partnerships whilst also looking to create new opportunities.

V/Line has been a major partner of AFL Victoria since 2003, sponsoring the V/Line Cup and V/Line Umpire Academies. In 2016, the partnership was extended to include the Youth Girls competition, which is played at the same time as the V/Line Cup. The V/Line Cup is an opportunity for boys and girls to play at the highest level and is often a stepping stone to a professional career. The V/Line Cup was cancelled in 2020 due to the COVID-19 pandemic but V/Line will continue to support the under-15 competition in the hope of seeing it return in 2021 or the near future.

V/Line has a long-standing partnership with the Doxa Youth Foundation. Since 1976, V/Line has supported the foundation by providing free travel for disadvantaged and low-socioeconomic schools to attend Doxa camps in Malmsbury and Melbourne. Due to the COVID-19 pandemic, camps were unable to be held in 2020 but resumed at the start of the school year in 2021 with reduced capacity. Over 160 students from more than three schools were supported with free travel to attend Doxa camps during the 2020-21 financial year.

V/Line also supports the Doxa Cadetship Program to assist young people from socially and financially disadvantaged backgrounds, providing them the opportunity to complete a cadetship at V/Line. There are four Doxa cadets currently being mentored at V/Line. During the 2020-21 financial year, one cadet completed the program and V/Line continues to explore options for expanding the intake of cadets to other teams within the organisation in the near future.

Since 2014, V/Line has supported Beacon's Work Readiness program by sponsoring sessions across regional Victoria. The sessions are designed to prepare and motivate students for a successful transition from education to employment. Due to the COVID-19 pandemic, V/Line was able to participate in Beacon's online mentoring program, MyRoad. Three V/Line staff participated in individual sessions with more than 10 students from a school in Ballarat. In 2021, in-person work readiness sessions resumed, with V/Line staff supporting regional students from schools in Terang and Shepparton.

In partnership with Keep Victoria Beautiful, the Stationeers program continued to support beautification activities at 27 V/Line railway stations over the past 12 months. V/Line has been supporting the volunteer program since 2005 and Woodend is the latest station to be added to the program, with a new Stationeers group starting at the beginning of 2021.

V/Line continued its long-standing partnership with Travellers Aid Australia in 2020-21 by supporting volunteer programs, training, travel support and promotional activities. The partnership helps to ensure Travellers Aid volunteers are on hand to help passengers with their travel needs at Southern Cross, Flinders Street and Seymour stations.

V/Line was once again the major transport sponsor for the Castlemaine State Festival. For more than 10 years, V/Line has partnered with the festival to provide communities in regional Victoria with access to the arts and help increase visitation to the region from Melbourne and interstate. In 2021, V/Line provided free coach services to and from Castlemaine on the opening weekend, connecting patrons with performances held in Bendigo.

V/Line unveiled an original Aboriginal artwork which was featured on a wrapped train at Bairnsdale in December 2020. V/Line staff joined Aboriginal artist Dixon Patten and more than 20 of his family members for the unveiling, which celebrated Aboriginal history and culture through the development and inclusion of Aboriginal artwork in V/Line's branding.

V/Line also unveiled a rainbow wrapped PRIDE train in Bendigo in March 2021. In addition, V/Line was a major transport sponsor of the Daylesford ChillOut Festival in March. It was the second time V/Line had supported the festival, which celebrates the LGBTIQ+ community and represents Queer pride for all regional Victorians. V/Line also supported the Castlemaine Pride Picnic and participated in the Pride March in St Kilda. Staff from across the regions joined in these events to show their support for the LGBTIQ+ community in Victoria and were really proud to be involved.

Victorian Rail Network Map



MELBOURNE METRO AREA



LEGEND

- V/Line Passenger

- V/Line Freight

- V/Line operations over lines managed by others

- Suspended / managed by others

- Standard gauge

- Broad gauge

- Dual gauge

Performance Reporting – Financial

V/Line five year financial summary (\$'000)

Five year financial summary	2020-21	2019-20	2018-19	2017-18	2015-16
Income from government	974,355	845,419	749,942	898,880	624,880
Total income from transactions	1,024,991	950,768	931,822	1,069,907	778,628
Total expenses from transactions	998,249	931,469	962,053	1,075,631	780,757
Net result from transactions*	26,742	19,299	(30,231)	(5,724)	(2,129)
Net cash flow from operating activities	52,836	36,673	(41,675)	81,762	3,397
Total assets	375,562	302,953	210,268	333,041	219,912
Total liabilities	295,778	252,333	176,920	265,465	157,478

* Excludes tax, realised gains/losses on financial instruments and discounting movement in leave provisions.

Income from government increased due to financial support resulting from a reduction in farebox revenue, as a consequence of the COVID-19 pandemic, and also through the *Building Works* stimulus package.

The higher Income from transactions, which includes income from government, was primarily due to the additional stimulus funding in the current year and utilised for rail infrastructure and classic fleet maintenance activities.

The net result from transactions, a profit of \$26.7 million, was ahead of the prior year and resulted primarily from lower than anticipated operating expenditure through effective cost control, a lower than planned growth in labour costs and the impact of the COVID-19 pandemic. The lower than planned growth in labour costs, year on year, were due to delays in commencement of new enterprise agreements, reduced scope of the January 2021 timetable change and higher than planned vacancy levels across the business. Bus and coach related cost savings were generated through bus reform measures, lower patronage and improved alignment of occupations with project activity, resulting in lower costs against prior year.

Fuel costs were lower due to lower pricing and the reduction in operating train services given project activity and border restrictions.

The net cash inflow from operating activities of \$52.8 million in 2020-21 reflects the favourable underlying cash result from transactions (net result adjusted for non-cash components) and V/Line's management of working capital levels. Overall cash held by V/Line has increased to \$48.0 million from \$16.6 million in the prior year. This is due to lower expenditure for the year. In consultation with DoT, the majority of this surplus will be used in the 2021-22 financial year to fund critical maintenance activities and new initiatives. Total assets of \$375.6 million have increased by \$72.6 million compared to the prior year of \$303.0 million. The increase has been driven primarily by an increase in cash of \$31.4 million, higher receivables of \$25.1 million associated with timing and invoicing of project activities and an increase in right of use assets of \$14.3 million (and liabilities) due to an additional floor occupied under the commercial office lease at 452 Flinders Street. Total liabilities of \$295.8 million have increased by \$43.5 million compared to the prior year of \$252.3 million. The increase has resulted from higher lease liabilities of \$15.3 million, payables of \$19.9 million, and the recognition of income tax payable of \$5.9 million, in the current year.

Disclosure of grants and transfer payments

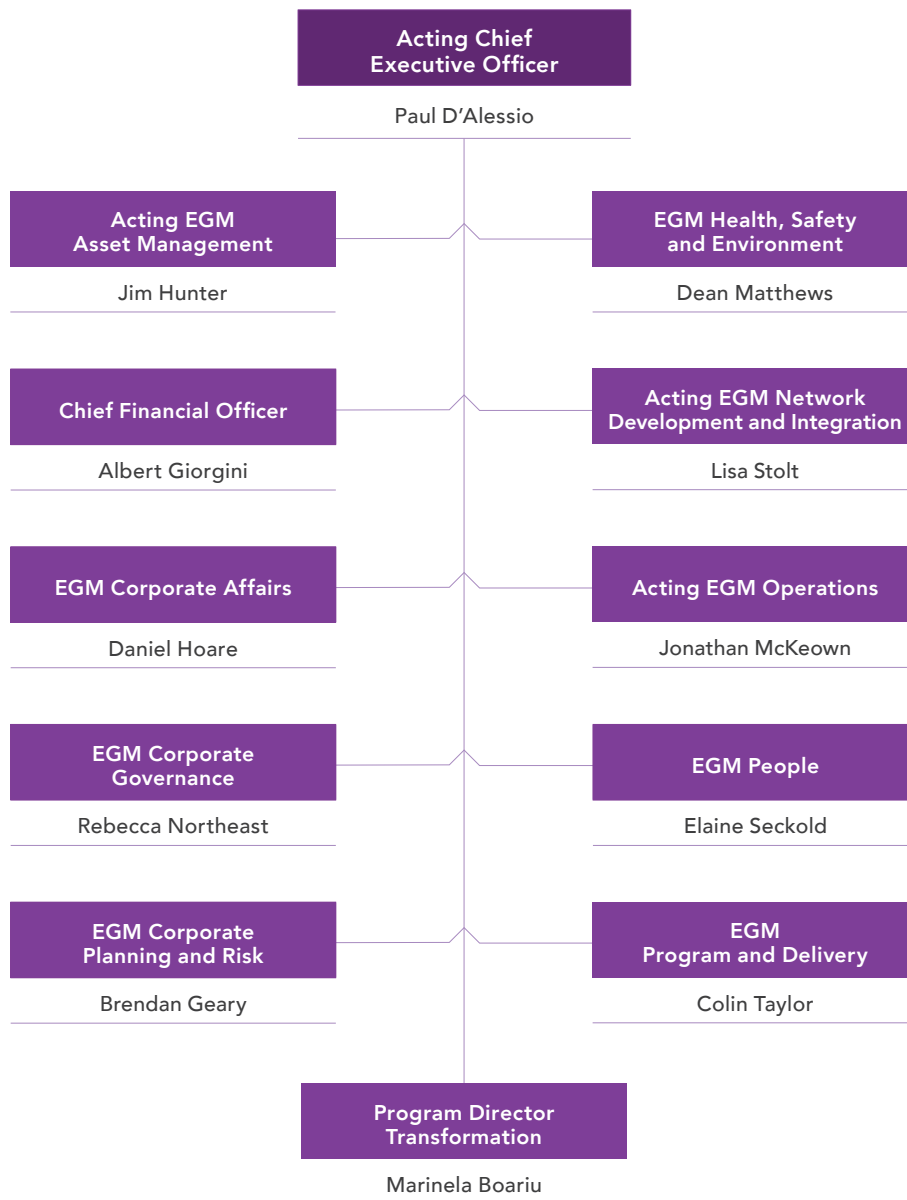
V/Line has not provided financial assistance via grants and/or transfer payments to any companies or organisations during the 2020-21 financial year.

Section Two:

Governance and organisational structure

Organisation structure and corporate governance arrangements

Leadership team as at 30 June 2021



Note: On 12 July 2021, Matt Carrick commenced as Chief Executive Officer, Paul D'Alessio reverted to his substantive role as EGM Operations and Jonathan McKeown reverted to his substantive role as EGM Network Development and Integration.

Leadership functions

Asset Management

Maintains and provides access to rail track and infrastructure (from signalling to station and depot buildings) and rolling stock including planning maintenance, renewal and construction activities to optimise whole-of-life cost of assets and to meet asset availability targets.

Business Services

Finance and accounting, procurement services, payroll, ICT.

Corporate Affairs

Ministerial liaison, internal and inter-agency communications and stakeholder management.

Corporate Governance

Board governance, secretariat to the Board, legal counsel and insurance.

Corporate Planning and Risk

Corporate strategy and planning, risk assurance and audit, DoT contract management and reporting, information management and enterprise project management office.

Governance Reform Team

Team coordinating the delivery of the Governance Reform Plan.

Health, Safety and Environment

Rail safety accreditation, integrated safety management system, occupational health and safety and environmental management.

Network Development and Integration

V/Line operations long-term planning, participation in DoT strategy and planning, integrity and master timetable development.

Operations

Consists of network and train control, short-term operational planning, train services (drivers), conductor and customer station operations, customer experience and feedback, time-tabled coach services, security, revenue protection, crisis lead, incident and emergency management and business continuity planning.

People

Culture change and leadership, learning and capability including providing accredited training, workplace relations, recruitment.

Program and Delivery

Program and project management for both infrastructure and rolling stock projects. Construction and commissioning of works as required for AWP and State Projects.

Board role and responsibilities

During 2020-21 the Board was responsible for the strategic oversight and corporate governance of V/Line. The Board had established protocols and procedures to ensure that corporate governance was maintained at the highest levels and the strategic direction and overall performance of V/Line could be developed and monitored diligently. The role and responsibilities of the Board were set out in a formal Board Charter.

The Board was accountable to the Minister for Public Transport and the Treasurer. The Directors were appointed by the Governor-in-Council. The Minister for Public Transport, after consultation with the Treasurer, also appointed two Acting Directors during the financial year.

Board composition

As at 30 June 2021, the Board comprised of three independent, non-executive Directors: Gabrielle Bell (Chair), Rachel Thomson and Tom Sargant and two Acting Directors: Jamie Driscoll and Nick Foa.

Board of Directors (Directors during the period 1 July 2020 to 30 June 2021)

Gabrielle Bell – Chair

(appointed Chair 1 September 2019 to 30 June 2021 and Director since 1 July 2015)

Gabrielle is a corporate lawyer with broad experience working in Australia and Southeast Asia. She is an experienced non-executive director and is also currently serving on the boards of South East Water Corporation and Aware Super Pty Ltd.

During her legal career Gabrielle has specialised in general corporate advisory, including corporate governance, mergers and acquisitions and capital markets. She holds a Bachelor of Laws and Bachelor of Engineering (Chemical) from the University of Melbourne and is a graduate of the Australian Institute of Company Directors (AICD).

Rachel Thomson – Director

(1 July 2017 to 30 June 2021)

Rachel is an experienced non-executive director and Risk & Audit Committee Chair with a deep capability in risk and customer insights and how they contribute to strategy at the board. She has executive experience in financial services and risk management globally and within Australia.

Rachel holds a Bachelor of Science degree from the University of Melbourne and is a graduate of the AICD.

Tom Sargent – Director*(31 October 2019 to 30 June 2021)*

Tom is a company director and a trusted advisor to governments nationally and internationally. He advises on commercial transactions relating to the construction, operation and maintenance of public transport systems and public transport safety regulation as well as major civil construction. He has been a company director of government bodies, listed companies, and not-for-profit entities.

In addition to being principal to a boutique consulting practice, he is the Pacific Representative for the International Union of Railways (UIC), and holds an Honours Degree in civil engineering and a Masters Degree in business administration. He is a Chartered Engineer, a Fellow of the AICD and Fellow of the Institution of Engineers Australia.

Jamie Driscoll – Acting Director*(25 May 2021 to 30 June 2021)*

Jamie commenced as Deputy Secretary, Budget and Finance Division at Department of Treasury and Finance (DTF) in February 2019 and is responsible for providing advice on the state's fiscal resources, financial management and consolidated reporting. In this role, he is responsible for the annual production of the Victorian State Budget.

Immediately prior to joining DTF, Jamie was the Director, Strategy for the Major Transport Infrastructure Program in the Office of the Coordinator-General. He has previously held various roles in the ACT and Victorian Governments and was an Associate Director in Deloitte's economics practice. Jamie holds a Bachelor of Economics, Bachelor of Laws and a Graduate Diploma of Legal Practice from the Australian National University and a Masters of Applied Finance.

Nick Foa – Acting Director*(25 May 2021 to 30 June 2021)*

Nick Foa was appointed DoT Head of Transport Services in July 2020, overseeing the state's road and rail operations, including registration and licensing services. From September 2019, Nick was Chief Executive Officer of the government's Suburban Rail Loop Authority (SRLA) and then became the Associate Secretary of DoT in April 2020, overseeing DoT's day to day operations during the COVID-19 pandemic. Prior to SRLA, Nick was a Deputy Secretary in DHHS, overseeing an \$8 billion infrastructure project pipeline encompassing sport, health and housing.

Nick has completed a Master of Business Administration from Swinburne University, the Australian and New Zealand School of Government's Executive Fellowship and the Company Directors course with the AICD.

Kevin McLaine – Director*(31 October 2019 to 31 May 2021)*

Kevin has over 20 years' experience in the Australian public company market, having held the Chief Financial Officer roles at Shomega Limited and CSG Limited. He was the Chairman of PS&C Ltd, having been the Managing Director and non-executive director. Kevin spent several years with GE Capital in Thailand as Managing Director of its commercial lending business. He has also been the general manager of a manufacturing facility.

Kevin holds a Bachelor of Business, is a Fellow of CPA Australia and is a member of the AICD.

Liz Roadley – Director*(31 October 2019 to 12 March 2021)*

Liz worked as a senior executive and scientist in government and has over 20 years' experience consulting to government.

Craig Cook – Deputy Chair*(1 July 2015 to 7 September 2020)*

Craig had over 15 years of experience in both government and publicly listed boards including the boards of Goulburn-Murray Water, Rural Finance Corporation, VicSuper, VicSuper Ecosystem Services and the Port of Hastings Development Authority. He held a Bachelor of Economics degree from Monash University.

Independent Member: Integrity Committee**John Gibbins***(Independent Member – Integrity Committee 4 September 2020 to 30 June 2021)*

John has over 30 years' experience as an audit and risk partner with KPMG and Deloitte. His consulting areas of focus included corporate risk strategies, risk assessment and control frameworks.

John has significant experience working with the government sector and Australian based and international publicly listed corporations. He is currently a member of the audit committee for the Emergency Services Telecommunication Authority. John is a Fellow of the AICD and holds a Bachelor of Commerce degree from the University of Melbourne.

Committee Membership and Roles

During 2020-21, the Board committees of V/Line comprised of the Audit, Finance and Risk Committee; the People and Governance Committee; the Safety, Security, Health and Environment Committee; the Customer, Communication and Performance Committee; and the Integrity Committee.

Each committee had a charter that set out its roles and responsibilities.

Audit, Finance and Risk Committee

Assisted the Board in overseeing internal and external audit activities, financial, risk and integrity management frameworks, including reviewing and monitoring accounting policies and practices and evaluating and developing financial and enterprise risk management systems.

Members as at 30 June 2021 were Rachel Thomson (Chair), Gabrielle Bell, Tom Sargant and Jamie Driscoll.

Number of meetings held during the year: Five

People and Governance Committee

Assisted the Board in reviewing the Chief Executive Officer's performance, remuneration policy of staff, monitoring workforce performance and culture and change initiatives.

Members as at 30 June 2021 were Rachel Thomson (Chair), Gabrielle Bell and Nick Foa.

Number of meetings held during the year: Eight

Safety, Security, Health and Environment Committee

Assisted the Board in discharging its obligations in relation to its safety, security, health and environment practices and related risk management.

Members as at 30 June 2021 were Tom Sargant (Chair), Jamie Driscoll and Nick Foa.

Number of meetings held during the year: Four

Customer, Communication and Performance Committee

Assisted the Board in overseeing customer, communication and performance strategies and monitoring customer feedback, stakeholder engagement, operational and project performance.

Members as at 30 June 2021 were Tom Sargant (Chair), Rachel Thomson and Gabrielle Bell.

Number of meetings held during the year: Four

Integrity Committee (established 25 August 2020)

Assisted the Board in overseeing and monitoring matters arising from the IBAC investigation known as Operation Esperance and V/Line's Governance Reform program.

Members as at 30 June 2021 were Gabrielle Bell (Chair), Rachel Thomson and John Gibbins.

Number of meetings held during the year: Ten

Other Reporting

During the financial year, V/Line insured all directors and officers of V/Line against certain liabilities incurred by them in that capacity. Directors of V/Line are entitled to full access to information required to discharge their responsibilities, including access to senior management and to documents held by V/Line. Directors could obtain independent professional advice on matters arising from carrying out their Board duties.

Board and committee meeting attendance

V/Line Corporation Director	Board Meetings		Special Purpose Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
As at 30 June 2021				
Gabrielle Bell, Chair	8	8	14	14
Rachel Thomson	8	8	14	13
Tom Sargant	8	8	14	14
Jamie Driscoll	2*	1	1	1
Nick Foa	2*	1	1	0
Craig Cook (deceased)	2	0	2	0
Kevin McLaine	7	7	13	12
Liz Roadley	5	4	11	11

* Note: Directors did not receive notice to attend one meeting.

Committees	Audit, Finance & Risk Committee		Safety, Security, Health & Environment Committee		Customer, Communication and Performance Committee	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Director						
<i>As at 30 June 2021</i>						
Gabrielle Bell	5	5	N/A	N/A	N/A	N/A
Rachel Thomson	5	5	N/A	N/A	4	4
Tom Sargant	5	5	4	4	4	4
Jamie Driscoll	N/A	N/A	1	1	N/A	N/A
Nick Foa	N/A	N/A	1	0	N/A	N/A
Craig Cook	N/A	N/A	N/A	N/A	N/A	N/A
Kevin McLaine	5	4	3	2	4	3
Liz Roadley	N/A	N/A	2	2	N/A	N/A

Committees	People & Governance Committee		Integrity Committee	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Director				
<i>As at 30 June 2021</i>				
Gabrielle Bell	8	8	10	10
Rachel Thomson	8	8	10	10
Tom Sargant	N/A	N/A	N/A	N/A
Jamie Driscoll	N/A	N/A	N/A	N/A
Nick Foa	1	1	N/A	N/A
Craig Cook	N/A	N/A	N/A	N/A
Kevin McLaine	N/A	N/A	N/A	N/A
Liz Roadley	6	6	N/A	N/A
Independent Member from 4 September 2020 to 30 June 2021			Eligible to attend	Number attended
John Gibbins			10	10

Health and Safety

Safety continues to be the number one priority for everyone at V/Line and is at the forefront of everything we do.

V/Line has continued to liaise closely with the Department of Health (formerly DHHS), DoT and other operators to ensure the overall response to public transport across the state remains consistent and aligned. We have provided regular health and safety advice to staff during the COVID-19 pandemic, developed COVID management plans, coordinated essential worker permits and completed ongoing risk assessments to ensure all managers, supervisors and staff have been informed and well supported.

The incident at the Lydiard Street level crossing in Ballarat on 30 May 2020 was a significant safety incident on the regional network, where a V/Line passenger train collided with the heritage level crossing gates and passed through the crossing against signals. Over the past 12 months V/Line has assisted the relevant safety regulators with their extensive and thorough investigations into the incident. V/Line also worked closely with DoT on a detailed development design that will see the crossing safely upgraded and reopened. The Victorian Budget, handed down in May 2021, announced a \$10.5 million investment to reopen the level crossing safely with a half-boom barrier crossing and the design and installation of an upgraded signalling system.

V/Line's Destination Zero program continues to underpin all health, safety and environment activities and initiatives across the organisation. There have been positive steps forward in our journey towards Destination Zero in recent years and the past 12 months has continued that trend towards our aspirational target of zero rail and coach incidents, zero harm to people and zero damage to the environment.

There are more than 1,200 level crossings on the V/Line network and there have been four incidents at crossings over the past 12 months, compared with three in 2019-2020. Ongoing improvements include the continual upgrade of crossings from passive to active with bells, flashing lights and boom barriers, the installation of axle counters in locations that are subject to train detection faults, vegetation removal and improved sighting at crossing locations across the state. Risk-based measures, such as temporary speed restrictions, are also applied at individual crossings as required.

V/Line continues to reduce the number of passive, non-activated level crossings on the network. In 2020-21, there were 77 passive level crossings remaining on the passenger network, which is down from 97 four years ago, significantly improving safety for trains, vehicles and communities across regional Victoria. There was one incident at a passive crossing on the V/Line network over the past 12 months. Continuing the downward trend, three incidents were recorded in the past four years compared with 11 incidents in the four years prior. Planning is underway to upgrade an additional 22 level crossings as part of the Shepparton Line Upgrade project. Once this work is complete, further level crossing improvements are planned between Bendigo and Swan Hill.

V/Line's SPAD rate is a critical safety indicator and there was a decline in V/Line's technical SPAD rate over the past 12 months. A technical SPAD is where a system error changes the signal aspect to 'stop' in front of a train without the driver able to stop prior to the signal. These events are predominately low risk fail safe incidents but can cause network disruptions.

In 2020-21, V/Line's technical SPAD rate was 1.18 incidents per million kilometres, compared with 1.39 incident per million kilometres the previous financial year, making it the lowest rate ever recorded at V/Line.

There was an increase in V/Line's human factor SPAD rate over the past 12 months. A human factor SPAD is where a driver has failed to react in time to a signal at stop, primarily caused by adhesion conditions, misjudgement, or sometimes distraction. In 2020-21, the human factor SPAD rate was 1.81 incidents per million kilometres, compared with 1.79 per million kilometres the previous financial year. The majority of human factor SPAD incidents in the past financial year were deemed 'low potential' and for those classified as 'high potential', investigations have been completed and additional controls implemented to prevent a recurrence.

The current rate places V/Line among Australia's best performing rail operators in managing SPADs. This has been achieved through a systematic and coordinated SPAD reduction methodology. The approach includes:

- engagement of drivers through an online SPAD portal and regular briefings
- human factor investigations post SPAD incidents using a no-blame learning process, focused on how the system contributed to the error and how it can be improved
- a multi-team SPAD working group and governance committee.

The development of V/Line's signal prioritisation model is also helping to reduce the number of SPAD incidents on the network. The program aims to identify high-risk locations and assesses the potential benefit for Track Protection Warning Systems (TPWS) to be installed at a location. TPWS is an automatic system fitted to all V/Line rolling stock that will apply the train's emergency brakes should a TPWS fitted signal be passed at stop. There were an additional 48 locations fitted with TPWS during the year, with plans to install additional TPWS at key locations on the MTM and Australian Rail Track Corporation (ARTC) networks where V/Line trains operate.

V/Line's occupational health and safety Serious Injury Frequency Rate (SIFR) was 16.20 over the past 12 months against a forecast of 21 and compares with 26.65 in 2019-20. V/Line's SIFR rate is continuing a downward trend and has reduced by over 50 per cent in the past five years, reflecting V/Line's ongoing focus on high-risk activities.

V/Line conducted a safety culture survey for all staff in July 2020, with the aim of using findings from the survey to improve how we manage safety within the organisation and influence the industry in the future. Following the survey, a series of focus groups were conducted and action plans are being developed. The series of initiatives has highlighted the importance of hearing first-hand from staff and ensuring our people are involved in discussions and decisions that directly relate to them in the workplace.

More than 80 per cent of nominated staff from across the organisation completed health, safety and environment (HSE) compliance training in 2020-21. The course was rolled out to both new employees and existing staff, involving key topics such as fatigue management, manual handling and fitness for work.

V/Line is committed to reducing its environmental footprint and is working actively to manage the environment in which it operates. V/Line's Sustainability Action Plan (SAP) outlines a three-year sustainability roadmap with objectives, targets and actions to support our Environment Policy and drive continuous improvement.

As part of the SAP V/Line is also developing an emissions roadmap in support of the Victorian Government's target of Net Zero Emissions by 2050. This involves looking at every aspect of V/Line's energy consumption including fuel, with diesel fuel for trains being the largest, and electricity usage. The roadmap will help V/Line look at ways of progressively reducing its carbon footprint into the future.

V/Line also initiated a recycling ballast trial in 2020-21. This involved exploring the possibility of recycling ballast to be reused on other parts of the rail network. The trial is being conducted with the help of an external consultant in collaboration with the Environment Protection Authority (EPA). The aim is to reduce waste to landfill by exploring unique ways to clean and resize ballast for use not only on the railway but for other purposes, such as rail track formations, structural fill or road base.

V/Line is also exploring the use of composite 'recycled plastic' sleepers on the regional network. Historically, timber and concrete sleepers are used on the regional passenger and freight network, with composite sleepers now being used in some sidings and stabling areas. With safety being the number one priority, V/Line is continuing to review the

growing number of composite sleeper options available on the market to determine their suitability for the varying conditions and locations of the regional passenger and freight network.

V/Line also continues to proactively upgrade lighting across the network to more efficient forms, such as LED lights and to install rooftop solar panels on all new buildings.

V/Line continued to work collaboratively with the Office of the National Rail Safety Regulator (ONRSR), Australian Transport Safety Bureau (ATSB), WorkSafe and other safety regulators over the past 12 months. This included assisting with investigations, reports, inspections and audits and ensuring all issues were addressed satisfactorily and closed out within agreed timeframes.

HSE Indicator Performance

The two safety lag performance indicators used at V/Line are:

- SIFR for personal injury (per million work hours)
- SPAD for rail safety (per million kilometres travelled) (Human Factors + Technical).

Serious Injury Frequency Rate (SIFR)	2020-21	2019-20	2018-19
Measure	Actual	Actual	Actual
SIFR	16.2	26.65	18.96
SIFR Forecast	21	21	28
SIFR Variance	-4.8	5.65	-9.04
SIFR per cent Variance to Forecast	-22.86	+26.9	-32.28

Signals Passed at Danger (SPAD) (Human Factors + Technical)	2020-21	2019-20	2018-19
Measure	Actual	Actual	Actual
SPAD	2.99	3.18	2.55
SPAD Forecast	2.8	2.8	3.00
SPAD Variance	0.19	.38	-0.45
SPAD per cent Variance to Forecast	+6.79	+13.5	-15.00

Hazards and Incidents per 100 FTE

The total number of 'Hazards Reported' decreased over the year, which can be partly attributable to COVID-19 restrictions (i.e. due to a percentage of hazards directly related to passenger numbers). Logged hazards are tracked and reported monthly to all relevant stakeholders, including employee elected health and safety representatives, to ensure all potential hazards are addressed.

The total number of WorkCover standard claims lodged in 2020-21 along with the associated average cost per claim has increased. V/Line transitioned to a new WorkCover agent in the second quarter of 2020-21.

Psychological injuries together with back, knees and shoulder injuries are the main drivers of higher average claims costs. There were seven capped claims which contributed to the higher average cost per claim.

Hazards Reported

Year	Per 100 FTE
2020-21	10.58
2019-20	11.43
2018-19	15.95

Incidents Reported

Year	Per 100 FTE
2020-21*	367
2019-20*	355
2018-19	432

Note: Incident numbers have been affected due to COVID-19 restrictions.

WorkCover – Personal Injury Lost Time Claims

	# time loss standard claims	Full-time equivalent (FTE)	Per 100 staff	Average cost per claim
2020-21	68	2,277.3	2.98	\$89,216
2019-20	53	2195.3	2.41	\$40,063
2018-19	63	2189.0	2.87	\$28,281

Section Three:

Workforce data

Our People

V/Line is committed to investing in its people and empowering them to be their best. Our workforce extends across Victoria and as at 30 June 2021, V/Line had a total of 2,338 staff compared with 2,253 in 2019-20 and 2,190 in 2018-19. V/Line continues to take significant steps towards achieving a constructive, diverse, healthy and safe workplace.

Public sector values and employment and conduct principles

The *Public Administration Act 2004* established the Victorian Public Sector Commission (VPSC). The VPSC's role is to strengthen public sector efficiency, effectiveness and capability, and advocate for public sector professionalism and integrity.

V/Line has policies and practices that are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. V/Line advises its employees on how to avoid conflicts of interest, how to respond to offers of gifts and how it deals with misconduct.

V/Line applies merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably based on the key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections.

Recruit and retain the right people

Over the past 12 months, V/Line has recruited 214 new employees, made 106 promotions, facilitated 131 transfers and 58 secondments.

A total of 155 people completed V/Line's Corporate Induction Program in 2020-21 and over the past 12 months, V/Line reviewed its induction and onboarding processes. This review aimed to ensure the organisation was fostering positive working relationships and better supporting new starters to transition and assimilate into their roles and connect with our vision and culture. The review incorporated the introduction of a Welcome Day with the executive management team, information stalls and onboarding compliance.

We are developing our first Strategic Workforce Plan in 2020-21, which sets out to ensure V/Line has the workforce capacity and capability required to achieve its strategic goals.

Actively managing and embedding succession planning practices across the organisation also continued to be a focus in 2020-21. All leaders were required to regularly review their succession plans ensuring there are future successors, including a diverse talent pool.

As part of ongoing efforts to attract young people to consider a career in rail, V/Line has also developed an Early Career Framework, encompassing V/Line's graduate, apprentice and early career programs. This includes the development of a dedicated work experience program for secondary students.

As part of the Engineering Pathways Industry Cadetship (EPIC) Program, V/Line welcomed four engineering cadets from refugee/asylum seeker backgrounds. The program is run by the LXP and the cadets are working at V/Line for 18 months to complete a Graduate Certificate in Infrastructure Engineering.

Develop and engage our people

Under changed working conditions during COVID-19 restrictions, V/Line has successfully delivered recruitment, training and learning opportunities remotely. Existing programs have been adapted to accommodate online learning components to ensure these important programs can continue.

Over the past 12 months, V/Line continued to expand on its important work as a Registered Training Organisation (RTO). The qualifications achieved through this program are recognised Australia-wide and by delivering these qualifications in-house, V/Line is ensuring the best long-term outcomes for its people as students and employees. Over the past 12 months, V/Line has expanded the RTO qualifications to include a Diploma in Railway Signalling and Certificate III in Rail Customer Service.

In 2020-21, V/Line supported staff to complete various courses and achieve qualifications. A total of 32 people enrolled in track qualification courses, with 19 people completing the track qualification. More than 70 drivers qualified and a further 43 trainee drivers were enrolled to complete their training. Twenty conductors completed rail customer service training, with another 44 people enrolled in the course. There are also 26 Signal Maintenance

Technician apprentices and trainees studying their Certificate IV Electrical Rail Signalling, and more than 590 people completed safeworking training. More than 2,240 people completed COVID safe training online to ensure all staff across the organisation were aware of the health and safety requirements for operating in a COVID safe workplace.

A new Flexible Work Arrangement Policy for office-based workers was developed and staff briefings were held in May 2021 for managers, supervisors and staff to discuss the details ahead of implementation. The policy aligns with that of the VPSC, while also reflecting V/Line's learnings about the benefits of working from home, feedback from office-based employees and the operational needs of the organisation.

The development and implementation of an organisation-wide capability framework has helped ensure V/Line has the relevant skills and knowledge to contribute to the organisation's future responsiveness, stakeholder, and customer needs.

There has been a focus on implementing contemporary learning opportunities for staff, including LinkedIn Learning. Almost 400 staff logged on to LinkedIn Learning and completed 25,304 videos and 1,196 courses from 1 September 2020 to June 2021.

Diversity and inclusion

V/Line recognises the importance of a diverse and inclusive workplace. With employees from more than 63 cultures, there is an ongoing emphasis on building cultural awareness and competence, documenting action plans and encouraging people from across the organisation to be involved in a variety of diversity committees and events.

V/Line's Culture Council continued to play an important role across the organisation in 2020-21. Chaired by the Acting CEO, the main purpose of the Culture Council is to provide education and make progress in our six key areas of diversity, including Aboriginal and/or Torres Strait Islander people, gender, culturally and linguistically diverse, LGBTIQ+ and people with disability.

Gender equality continued to be a priority across the organisation. The proportion of women in V/Line's workforce increased to 23.7 per cent and 41 per cent of V/Line's leadership positions are now held by women. One of the main purposes of V/Line's Gender Working Party is to raise awareness of the importance of gender equity in the workplace and celebrate the achievement of women at V/Line. One of the ways this is achieved is through the V/Line Women's Forum, which is a live online event designed to create meaningful connections in an interactive way and help women flourish through the topics explored. The quarterly forum is an opportunity to hear from guest speakers and discuss key themes with other colleagues. As part of ongoing efforts to support gender equality, V/Line also continues to develop succession planning, talent development, targeted recruitment opportunities and networking events for women, including International Women's Day, encouraging staff to be part of the Transport Portfolio Women in Transport mentoring programs and Australasian Railway Association mentoring programs. Targeted talent strategies have also been developed to recruit and train dedicated female trainee drivers, shunters and way maintainers.

The representation of Aboriginal and Torres Strait Islander people continues to be a focus across the organisation. As part of V/Line's commitment to creating a culturally diverse and inclusive workplace, V/Line celebrated National Reconciliation Week where staff were encouraged to learn about Australia's shared history, culture and achievements, as well as explore how individuals can contribute to achieving reconciliation in Australia.

V/Line's Diversity and Inclusion Training program was rolled out to staff across the organisation in 2020-21. The training program

offers a comprehensive understanding about inclusion and the diversity dimensions, including gender, age, disability, LGBTIQ+, Aboriginal and Torres Strait Islander, and cultural diversity. Almost 70 per cent of the organisation participated in the cultural awareness and inclusion online learning program, completing more than 8,000 courses, equating to more than 11,600 hours of inclusion and diversity training.

Some managers and staff have also undertaken inclusive language training to improve their understanding of the importance of using inclusive language when communicating with other staff and passengers, in creating a welcoming and belonging environment.

The development of a diversity calendar has ensured there were opportunities during the year for staff to celebrate numerous cultural events. Key calendar events included International Women's Day, quarterly V/Line Women's Forum, International Day of People with Disability, National Reconciliation Week, Midsumma Pride March and Chillout Festival.

Positive mental health

The mental health and wellbeing of staff has continued to be vitally important over the past 12 months and in particular during the COVID-19 pandemic. During this period, V/Line developed and launched online mental health and wellbeing sessions on topics including isolation, stress and how to support teams, as well as developing online resources to complement the program.

V/Line is committed to improving mental health awareness and support for employees with the aim of growing a more inclusive and engaged working environment. This commitment was recognised by Mental Health First Aid (MHFA) with a Gold Skilled Workplace accreditation. This accreditation celebrates organisations across Australia who not only invest in developing mental health first aid skills in their people, but also show a strong commitment to embedding the program into their organisation's culture.

MHFA teaches potentially life-saving skills on how to provide support to people who are experiencing a mental health crisis or developing a mental illness.

Over the past 12 months, more than 100 staff have been accredited in mental health first aid, which forms part of V/Line's Positive Mental Health and Wellbeing Action Plan. A Resilience and Mental Wellbeing Committee was formed in 2020 and a Peer Support Program provides mental health champions acting as a point of contact for staff who require support or assistance.

V/Line partnered with the TrackSAFE Foundation to host a virtual Rail R U OK? Day session in April. The live online event provided all staff with the opportunity to hear from a special guest speaker and ask questions related to mental health. Staff were encouraged to mark the day by checking in with their colleagues regularly to ensure the conversation about mental health is ongoing and our people feel connected and supported in the workplace.

V/Line continues to offer an Employee Assistance Program, which is a confidential service available to all staff to access 24 hours a day, seven days a week.

In response to the COVID-19 pandemic, V/Line also developed a range of online resources to help support staff during the pandemic and while working from home. This included guidance on managing work and the pressures of home schooling and resources focused on the importance of keeping connected with colleagues and family, as well as tips on managing technology to help create clear boundaries between home and work. V/Line also undertook regular pulse surveys to take check of the current state of employee wellbeing and mental health as well as holding regular interactive webcasts to provide wellbeing and psychological information. Staff were offered virtual meditation programs and virtual coffee connection breaks and there was a focus on direct people leader communication, including regular performance check-ins and ongoing internal communications through the intranet and Yammer to ensure staff stayed connected during these challenging times.

Leadership

V/Line is continuously building leadership awareness and skills to support our leaders to operate at their highest level. In 2020-21, the development of the Effective Leadership Framework was designed to promote leadership at all levels and to build the skills of our leaders in line with our capability framework and V/Line values.

Staff were also supported to make the transition to leadership with V/Line developing a suite of leadership development programs for staff at all levels through a new program called V/Lead. Almost 40 leaders participated in V/Lead workshops over the past 12 months.

More than 400 leaders across the organisation were involved in mindfulness workshops, which started in 2019 and continued until mid-2021. The in-person and online workshops provide leaders with the tools and skills they need to ensure they can bring their best to work each day and then enable their teams to do the same.

Staff recognition

V/Line's Recognising Excellence Program is about highlighting staff for going above and beyond in their roles and setting a good example for others. More than 500 staff were nominated and recognised for outstanding efforts at monthly online events over the past 12 months. V/Line started holding online recognition events during the COVID-19 pandemic to ensure staff stay connected and colleagues continued to be recognised during this period.

Industrial relations

The Fair Work Commission formally approved V/Line's two new Enterprise Agreements in 2020-21. The Agreements are effective until 2023 and deliver a range of employee benefits and service delivery improvement initiatives. Wage increases totalling 11 per cent over the next four years were agreed for our Operations and Administrative Employees Enterprise Agreement and wage increases totalling 10 per cent over the next four years were agreed for our Asset Management Enterprise Agreement.

Nil hours have been lost due to protected industrial action and disputes.

Comparative workforce data

The following table discloses the head count and full-time staff equivalent (FTE) of all active employees of V/Line, employed in the last full pay period in June 2020 against the last full pay period in June 2021

June 2021	All employees		Ongoing			Fixed Term and Casual	
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Gender							
Men	1,783	1,743.0	1590	91	1,642.5	102	100.5
Women	555	534.6	448	61	489.5	46	45.1
Age							
15-24	30	28.8	24	4	26.8	2	2
25-34	449	445.5	415	11	422.5	23	23
35-44	639	628.2	553	32	575.4	54	53.1
45-54	541	533.2	478	23	493.5	40	39.7
55-64	559	533.7	475	57	507.3	27	26.4
65+	120	107.9	93	25	106.5	2	1.4
Classification							
Executive	12	12	0	0	0	12	12
Station Staff	286	275.7	254	30	274	2	1.7
Conductors	310	300.2	283	26	299.2	1	1
Train Drivers	508	485.4	460	48	485.4	0	0
Authorised Officers	20	19.7	19	1	19.7	0	0
Program & Delivery	166	164.8	124	4	126.8	38	38
Infrastructure Maintenance	192	191.7	185	1	185.7	6	6
Signal & COMM's	112	111.7	110	0	110	2	1.7
Train Controllers	65	64	63	2	64	0	0
Network Services	57	55.4	44	4	46.4	9	9
Other Staff	610	597	496	36	520.8	78	76.2
Total employees	2,338	2,277.6	2,038	152	2,132	148	145.6

June 2020

All employees		Ongoing			Fixed Term and Casual	
Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE

Gender

Men	1,771	1,735	1,585	81	1,630.9	105	104.1
Women	482	460.3	362	64	405.8	56	54.5

Age

15-24	40	38.2	30	4	32.8	6	5.4
25-34	453	448.9	408	13	416.9	32	32
35-44	572	562.8	490	27	508.7	55	54.1
45-54	520	513.50	455	21	469.5	44	44
55-64	550	526.1	474	54	504.4	22	21.7
65+	118	105.8	90	26	104.4	2	1.4

Classification

Executive	11	11	0	0	0	11	11
Station Staff	282	270.4	239	34	261.4	9	9
Conductors	293	286.7	274	17	284.7	2	2
Train Drivers	494	471.4	446	48	471.4	0	0
Authorised Officers	15	15	15	0	15	0	0
Program & Delivery	162	161.4	120	2	121.4	40	40
Infrastructure Maintenance	180	180	171	0	171	9	9
Signal & COMM's	105	104.7	104	0	104	1	0.7
Train Controllers	65	64	63	2	64	0	0
Network Services	61	59.7	51	3	52.7	7	7
Other Staff	585	571	463	39	490.1	83	80.9
Total employees	2,253	2,195.3	1,946	145	2,035.7	162	159.6

Workforce inclusion policy

V/Line is working towards creating an inclusive working environment where equal opportunity and diversity are valued, and that reflects the communities we serve consistent with the *Gender Equality Act 2020*. V/Line has a target of at least 50 per cent women on the executives' gender profile by 2021.

V/Line values staff with non-binary gender identities at all levels from enterprise agreement staff through to executives. V/Line acknowledges that due to historical and current barriers to disclosure of non-binary gender identities, staff may choose not to disclose this information. As a result, targets or quotas are not currently a useful way to promote opportunities for gender diverse staff at all levels.

The following table outlines V/Line's actual progress against this target in 2020-21.

Workforce inclusion policy initiative	Target by 2020	Actual progress in 2020-21	Actual progress 2019-20
	Executive Officers:	Executive Officers:	Executive Officers:
Gender profile at executive levels	50 per cent women 50 per cent men	28.57 per cent woman 71.43 per cent men	26.3 per cent women 73.7 per cent men

Executive officer data

For V/Line an executive officer (EO) is defined as a person to whom the Victorian Government's Policy on Executive Remuneration in Public Entities applies. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

2021

Total number of EOs for V/Line, broken down into gender	All		Women		Men		Self-described*	
	No.	Var.	No.	Var.	No.	Var.	No.	Var.
Executive Leadership Team	12	0	4	+2	8	-1	0	0
Senior Leadership Team	33	-4	12	-2	21	-3	0	0
Broader Leadership Team	32	+5	6	+2	26	+3	0	0

2020

Total number of EOs for V/Line, broken down into gender	All		Women		Men		Self-described*	
	No.	Var.	No.	Var.	No.	Var.	No.	Var.
Executive Leadership Team	11	0	2	0	9	0	0	0
Senior Leadership Team	38	0	14	+2	24	-2	0	0
Broader Leadership Team	27	+9	4	+3	23	+6	0	0

* Note that the self-described category is nil for this entity.

The following table discloses the annualised total salary for senior employees of V/Line, categorised by classification. The salary amount is reported as the full-time annualised salary.

**Remuneration of Government Sector
Executive Remuneration Panel (GSERP)
and non-GSERP contract staff**

2021

Income band (salary)	GSERP contract staff	Non – GSERP contract staff
\$180 000 – \$199 999	9	2
\$200 000 – \$219 999	27 (a)	5
\$220 000 – \$239 999	9	1
\$240 000 – \$259 999	8 (b)	1
\$260 000 – \$279 999	3	0
\$280 000 – \$299 999	3 (c)	0
\$300 000 – \$319 999	3	0
\$320 000 – \$339 999	5	0
\$340 000 – \$359 999	0	0
\$360 000 – \$379 999	1	0
\$380 000 – \$399 999	0	0
\$400 000 – \$419 999	0	0
\$420 000 – \$439 999	0	0
\$440 000 – \$459 999	0	0
\$460 000 – \$479 999	0	0
\$480 000 – \$499 999	0	0
Total	68	9

Notes

The salaries reported above are for the full financial year, at a 1-FTE rate, and includes superannuation.

(a) 1 Headcount at 0.7 FTE

(b) 1 Headcount at 0.7 FTE

(c) 1 Headcount at 0.7 FTE

Section Four:

Other disclosures

Local jobs first

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy, which were previously administered separately.

V/Line is required to apply the Local Jobs First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for statewide projects, or \$1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20 million or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG-applicable and VIPP applicable projects respectively where contracts have been entered prior to 15 August 2018.

Projects commenced – Local Jobs First Standard

During 2020-21, V/Line commenced two Local Jobs First Standard Projects – VIPP/MPSG applicable procurements totalling \$18 million, which were both statewide. While the procurement for \$10.6 million underwent a Contestability Assessment and required a VIPP Plan, it did not require a MPSG Plan.

The outcomes expected from the implementation of the Local Jobs First policy to this procurement is as follows:

- 74.8 per cent of local content outcome was recorded
- 5.9 Annualised Employee Equivalent (AEE) positions were created
- no new apprenticeships were created.

While the other procurement for \$7.5 million did undergo a Contestability Assessment, it did not require a VIPP/MPSG Plan.

Projects completed – Local Jobs First Standard

During 2020-21, V/Line did not complete any Local Jobs First Standard Projects.

Projects commenced or completed – Local Jobs First Strategic

During 2020-21, V/Line did not commence nor complete any Local Jobs First Strategic Projects.

Reporting requirements – all projects

During 2020-21, no businesses prepared a VIPP/MPSG Plan for contracts.

During 2020-21, no small to medium sized businesses were contracted as Principal Contractors.

Reporting requirements – grants

V/Line was not provided with any grants during 2020-21.

Government advertising expenditure

V/Line did not undertake any advertising campaigns in the reporting period that involved a media spend of \$100,000 or greater.

Consultancy expenditure

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

In 2020-21, there were 70 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred in 2020-21 in relation to these consultancies was \$37,435,000 (excluding GST). Details of individual consultancies can be viewed at corporate.vline.com.au/About-V-Line/Publications.

Details of consultancies under \$10,000

In 2020-21, there were six consultancies engaged during the year where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred in 2020-21 in relation to these consultancies was \$37,000 (excluding GST).

Information and Communication Technology Expenditure

For the 2020-21 reporting period, V/Line had a total ICT expenditure of \$27.3 million, with the details shown below.

All operational ICT expenditure Business As Usual (BAU) ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
	Non-Business as Usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and capital expenditure)		
\$'000	\$'000	\$'000	\$'000
24,261	3,013	–	3,013

ICT expenditure includes V/Line's costs in providing business enabling ICT services within the current reporting period. It comprises Business as Usual (BAU) ICT expenditure and Non-Business as Usual (non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to projects to create or enhance V/Line's current ICT capabilities. BAU ICT expenditure is the remaining ICT expenditure which primarily relates to activities to operate and maintain the current ICT capability.

Social Procurement Framework

In 2018, the Victorian Government launched the Social Procurement Framework (SPF) to enable government buyers and suppliers to deliver social, economic and environmental outcomes that benefit the Victorian community, economy and environment.

V/Line has taken the decision to adopt the Victorian Government's SPF for the effective delivery of V/Line's Social Procurement obligations.

V/Line's activities in relation to SPF and support of social procurement are focused on the economic support that V/Line can provide to Victorian organisations through our procurement requirements, with consideration given to small and medium sized businesses at both a metropolitan and regional level in all procurement activities.

In addition, V/Line commenced the development of a social procurement framework for application across the wider business during 2020-21. This is being built into the current Procurement framework.

Examples of current activities are as follows:

- consideration is currently given to metropolitan and regional small and medium sized businesses in all procurement activities
- appointment of a V/Line Procurement representative who sits on the DoT Social Procurement working party, supporting and sharing DoT's Social Procurement Strategy and Initiatives.

Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by V/Line. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by V/Line. This comprises documents both created by V/Line or supplied to V/Line by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by V/Line is available on V/Line's website under its Part II Information Statement.

The Act allows V/Line to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to V/Line in-confidence.

From 1 September 2017, the Act was amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. However, when external consultation is required under ss29, 29A, 31, 31A, 33, 34 or 35 the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

Making a request

FOI requests can be lodged online at www.foi.vic.gov.au. An application fee of \$30.10 applies (effective 1 July 2021). Access charges may also be payable if the document pool is large, and the search for material, time consuming.

Access to documents can also be obtained through a written request to V/Line's Freedom of Information Officer, as detailed in s17 of the Act.

When making an FOI request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

Requests for documents in the possession of V/Line should be addressed to:

*Freedom of Information Officer
V/Line Corporation
GPO Box 5343
Melbourne VIC 3001*

FOI statistics/timeliness

During 2020-21, V/Line received 27 applications. Of these requests, eight were from a Member of Parliament, five from the media, and the remainder from the general public. V/Line made 22 FOI decisions during the 12 months ended 30 June 2021.

22 decisions were made within the statutory 30-day time period, two decisions within an extended statutory 30-45 day time period and two decisions within an extended statutory 45+ day time period. Two applications are still being processed. Of access decisions made, four were made after mandatory extensions had been applied or agreed upon by the applicant.

The average time taken to finalise requests in 2020-21 was 25 days. Of requests finalised, the average number of days (over or under the average statutory time period to decide the request) was 25 days (over).

During 2020-21, three requests were subject to a complaint/internal review by the Office of the Victorian Information Commissioner (OVIC) with two progressing to the Victorian Civil and Administrative Tribunal (VCAT).

Further information

Further information regarding the operation and scope of FOI can be obtained from the Act, regulations made under the Act and at foi.vic.gov.au.

Compliance with the *Building Act 1993*

V/Line requires that all new buildings and works to existing buildings carried out for and on its behalf comply with the *Building Act 1993*.

Number of major works projects undertaken by V/Line (greater than \$50,000)	24
Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned by the entity	0 building permits 0 occupancy/planning permits 0 certificates of occupancy
Number of emergency orders and building orders issued in relation to buildings	0 emergency orders 0 building orders
Number of buildings that have been brought into conformity with building standards during the reporting period	Nil All 94 buildings remain in conformity

Competitive Neutrality Policy

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 it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and 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.

V/Line ensures it fulfils its requirements on competitive neutrality reporting as required under the Competition Principles Agreement and Competition and Infrastructure Reform Agreement.

Compliance with the *Public Interest Disclosures Act 2012*

The *Public Interest Disclosures 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.

V/Line 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.

V/Line is committed to the aims and objectives of the Act. V/Line has procedures in place to protect people from any detrimental action in reprisal for the making a public interest disclosure.

V/Line is not able to receive a public interest disclosure under the Act. Any disclosure about V/Line or any V/Line employee can be made directly to the Independent Broad-based Anti-corruption Commission as follows:

In person: *IBAC Victoria,
Level 1, North Tower
459 Collins Street,
Melbourne VIC 3000*

By mail: *IBAC Victoria,
GPO Box 24234,
Melbourne, VIC 3001*

By phone: 1300 735 135

By email: www.ibac.vic.gov.au

Compliance with the Carers Recognition Act 2012

The *Carers Recognition Act 2012* promotes the development of policies, programs and services that affect people in care relationships. V/Line has taken practical measures to consider the care relationship principles set out in the Act when setting policies and providing services. This includes making employees aware of the care relationship principles (which in turn relate to respect for the role of carers and their needs, and also respect for those being cared for) and taking reasonable measures to ensure that V/Line reflects the care relationship principles in developing, providing or evaluating support and assistance for persons in care relationships.

Accessibility and Compliance with the Disability Act 2006

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community. V/Line has a variety of approaches to meet the requirements of the Disability Act and supports inclusion for people with disability on V/Line passenger rail and coach services and as V/Line employees.

V/Line's Accessibility Action Plan 2019-2022 (AAP) sets out initiatives that V/Line is working on to improve travel and services for passengers with access needs on V/Line services. V/Line's AAP has four key priority areas. Below are the key achievements over the last financial year against these priority areas:

Priority One: Customer service and communication

- In May 2020 an Accessibility Champion network was developed consisting of customer service staff members from across the state and has been a key focus in 2020-21. This group met monthly to provide V/Line's customer service staff with increased knowledge and understanding of the Social Model of Disability, as well as delivering initiatives to improve customer service to people with a disability, including an awareness of the different needs of different disability groups.
- V/Line worked with Scope Australia to review the Disability Awareness and Communication Access training delivered to frontline staff. As a result, a training model commenced at the start of 2021.

Priority Two: Consultation and collaboration

- V/Line’s Accessibility Reference Group continued to meet during the year, moving to bi-monthly virtual meetings. This group continued to be a key source of information and feedback to guide V/Line’s activities and projects to improve services for customers with disability.
- V/Line has been redeveloping its Communication Access Toolkit in collaboration with Scope Australia. These new tools are due for release to customers and staff early in 2022.

Priority Three: Building inclusive environments

- There has been significant investment occurring across the V/Line network improving accessibility at a range of stations across the state. A key highlight was the opening of the first ever Changing Places facility on the Victorian public transport system at Bendigo station in November 2020. It is used by people with disabilities who require additional assistance and equipment for their personal care needs.
- V/Line completed full Disability Standards of Accessible Public Transport 2002 (DSAPT) audits of all rail stations in 2020. This data is used to assist DoT in its prioritisation of investment in improvements to address compliance gaps to the DSAPT.

Priority Four: Building an inclusive culture

- The V/Line Disability Inclusion Action Plan 2020-2023 outlines V/Line’s commitment to supporting employees with disability and increasing employment options for people with disability. This plan is supported by Executive and Board champions who are active in promoting access and inclusion and removing barriers.
- V/Line has continued its partnership with the Australian Network on Disability to support the implementation of the Disability Inclusion Action Plan.

- To increase disability confidence across the workforce V/Line offered e-learning through the SBS Inclusion Program. 56 per cent of employees have completed the Disability course significantly exceeding the 2020-21 target of 25 per cent.
- Initiatives to support employees’ ongoing positive mental health included a focus on supporting the mental health and wellbeing of staff during the COVID-19 pandemic. During this period, V/Line developed and launched virtual mental health and wellbeing sessions on various topics including isolation, stress and how to support teams, as well as developing online resources to complement this program.
- V/Line was awarded GOLD status from the MHFA Workplace Program. MHFA is a national not-for-profit health promotion charity focused on mental health training and research.
- The Disability Working Group of the V/Line Diversity Council has led a number of initiatives to drive inclusion for people with disability in the workplace. Highlights include:
 - an online event to celebrate International Day of People with Disability featuring guest speaker Daniel Giles OAM from V/Line’s Accessibility Reference Group and a V/Line staff member with chronic illness to speak about their experience within the workplace as a person with a disability
 - an internal Inclusive Language campaign held in December 2020 promoting key messages for the use of inclusive and person first language. This campaign went across a variety of internal V/Line channels to reach as many staff as possible across the organisation and state
 - internal campaign for Autism Acceptance Month in April 2021 including participation in Amaze’s #HoodieUp campaign to promote awareness, understanding and acceptance of people with Autism.

Sustainability and environment

V/Line operates an extensive rail network supported by offices, fuel depots, stabling facilities, maintenance depots and workshop sites. The organisation actively works to manage the environmental risks associated with the handling of fuels and other potential pollutants.

V/Line is committed to reducing its environmental footprint. In 2020-21 we continued to implement environmental improvements, with lower total emissions production and waste production across the business, however passenger numbers due to the COVID-19 restrictions again resulted in an increase in emissions intensity.

V/Line maintains an ISO 14001:2015 accredited Environmental Management System that guides sustainability performance and reduces environmental impacts. An independent certified environmental systems auditor audits this system annually. V/Line's SAP is the key strategic implementation mechanism for the delivery of environmental improvements, and in 2020-21 set targets, objectives, forecasts and initiatives in relation to five key environmental focus areas:

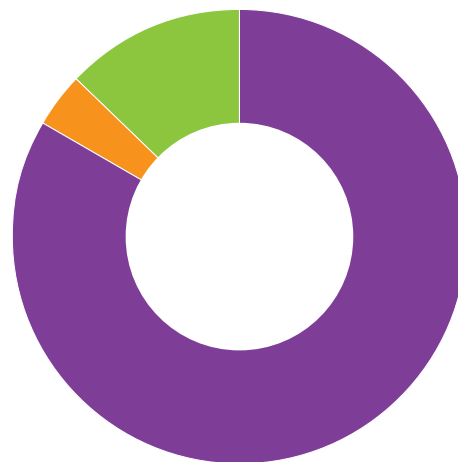
- Pollution and Contamination
- Biodiversity and Natural Resource Management
- Resource Consumption and Climate Change
- Materials Consumption and Waste
- European and Indigenous Heritage.

V/Line monitors and records its consumption of energy, water and paper, as well as its output of waste and greenhouse gas emissions. Due to the nature of V/Line's operations, these metrics are in some instances reported for the whole business, rather than specifically office-based impacts. As a result of the COVID-19 pandemic, a number of corporate staff were required to work from home during the reporting period, which impacted some reportable environmental metrics. This did not greatly impact operational sites such as stations and maintenance facilities. The results for 2020-21 are detailed below.

Greenhouse gas emissions

The running of trains is the primary source of climate change emissions at V/Line, with fuel use accounting for over 115 thousand tonnes, or approximately 84 per cent of our emissions. Other sources of climate change emissions are the vehicle fleet and the consumption of electricity at V/Line sites. Electricity is used for internal and external lighting, heating, air-conditioning as well as office and plant equipment.

GHG Emissions



Train fuel ■ **85.45 per cent**

Fleet fuel ■ **3.82 per cent**

Electricity ■ **10.72 per cent**

Office based environmental impacts

V/Line consumes energy at a range of sites across the network, including offices, stations, maintenance facilities, infrastructure yards, and signalling and signage sites.

The data represented below was collected through energy retailer billing information, and comprehensively reflects known V/Line sites. V/Line is continually developing systems to more comprehensively and accurately collect and manage data for V/Line sites.

Building Energy Use	2020-21	2019-20	2018-19
Energy Use segmented by primary source (MJ)			
Electricity	47,620,786	51,732,134	56,071,447
Energy Intensity (MJ/passenger kilometre)	0.0998	0.0490	0.0217
Units of building energy used per FTE (MJ/FTE)	20,911	23,564	26,300

Building Greenhouse Gas	2020-21	2019-20	2018-19
Greenhouse Gas Emissions from energy consumption (tonnes CO ₂ -e)			
Electricity	14,467	15,663	16,977
Emissions Intensity (tCO ₂ -e/1000 pass km)	0.0303	0.01484	0.00660

Actions undertaken

V/Line is finalising an emissions roadmap to assist in working towards the State Government target of Net Zero Emissions by 2050, including setting of interim targets.

V/Line is investigating opportunities for emissions reduction in current and future rolling stock, including both engineering solutions and more sustainable fuel options.

Targets

V/Line sets targets for total emissions intensity (tCO₂-e/passenger kilometre), not building energy consumption. The target for 2020-21 for energy intensity was put on hold due to the impact of COVID-19 restrictions on passenger kilometre numbers, however total emissions production decreased by two per cent from 2019-20 levels.

Explanatory notes

Electricity data is sourced directly from the government energy contract suppliers.

V/Line purchases electricity as part of a government contract, which currently does not include Green Power.

Waste and recycling

V/Line produces a variety of waste types, ranging from station and office waste to used sleepers, ballast, soil and train parts. This waste is collected primarily by V/Line's principal waste contractor, who provides data for all sites to V/Line.

This data includes only waste produced by V/Line staff and activities, as well as passenger waste deposited at stations. This data does not include project maintenance waste, including sleepers and spoil.

Waste and Recycling	2020-21	2019-20	2018-19
Waste disposed of by destination (kg)			
Landfill	491,770	497,662	517,290
Commingled recycling	11,310	13,025	8,910
Paper and cardboard	15,310	14,542	11,680
Other recovered materials	29,480	28,920	21,750
TOTAL	547,870	558,436	559,630

Waste disposed of per FTE by destination (kg/FTE)			
Landfill	215.94	226.69	242.63
Commingled recycling	4.97	5.93	4.18
Paper and cardboard	6.72	6.62	5.48
Other recovered materials	12.95	13.17	19.86
TOTAL	240.58	252.43	272.15

Actions undertaken

V/Line has undertaken the following actions to reduce the amount of waste sent to landfill:

- movement towards a more agile work environment, reducing stationery consumption
- implementation of a three-waste stream system at head office
- waste minimisation communications are rolled out as required, including significant reductions in the relocation to the new head office building.

Targets

V/Line's waste management targets for 2020-21 included a 10 per cent diversion of waste from landfill. V/Line managed to divert 11.41 per cent of staff and passenger waste from landfill.

Explanatory notes

Waste data is broader than office waste and includes both waste produced by V/Line staff and activities as well as passenger waste.

Paper use

V/Line works continually to reduce paper consumption. To improve data accuracy, V/Line has collected and reported on paper consumption data monitored by printers, rather than from purchasing information, since 2014-15.

The table below includes all data for printers on V/Line's centralised printing system.

Paper Consumption	2020-21	2019-20	2018-19
Total units of A4 equivalent copy paper used (reams)	5,841	8,394	10,442
Reams of A4 equivalent copy paper used per FTE (reams/FTE)	2.56	3.82	4.90

Actions undertaken

V/Line has taken the following actions to reduce the environmental effects associated with paper use:

- V/Line has transitioned to a more paperlite program, where most papers are digitised, including the digitisation of key paper sources across the business
- paper purchased by V/Line offices is 100 per cent recycled where possible with coloured or paper with non-recycled content ordered as the exception
- a printer monitoring system is in place, to allow more accurate consumption data management
- a swipe card system has been implemented, which discourages unnecessary printing
- information regarding paper reduction is included in sustainability communications.

Targets

Despite a staffing increase, V/Line achieved its paper reduction target for 2020-21 of maintaining paper usage per FTE at or below 3.54 reams per FTE. Significant periods of working from home has considerably reduced paper consumption.

Explanatory notes

Paper data is now reported using a printer-based consumption data system maintained by the printer service provider. This has increased data accuracy, however, does not have capability to provide the percentage of recycled paper used.

Water consumption

Water is consumed at V/Line sites for many purposes including maintenance works, the washing of trains, amenities, train watering and cleaning. Mains supply is the most heavily used water source at V/Line, however some locations are now using tank or recycled water.

Data on this consumption is obtained from invoices sent by the water corporations and covers all V/Line sites.

Available water data has been used to extrapolate annual consumption for 2020-21.

Water Consumption	2020-21	2019-20	2018-19
Total water consumption (kL)	60,949	97,115	94,836
Units of water used per FTE (kL/FTE)	26.8	44.2	44.5
Water consumption per passenger kilometre (L/pass km)	0.128	0.092	0.037

Actions undertaken

V/Line head offices include waterless urinals, and V/Line installs water efficient appliances where practical in facilities.

Targets

V/Line sets targets for total water consumption across the whole network, not specifically water consumption in buildings. The target for 2020-21 was for water consumption per passenger kilometre to be at or below 0.092 litres per 1,000 passenger kilometres. Reductions in passenger numbers as a result of COVID-19 restrictions impacted this target.

Explanatory notes

V/Line obtains water data from billing information received from 13 water companies. There is a significant lag between when this data is received, and accuracy increases following the end of the financial year.

Travel and transport

As a state-wide transport operator, V/Line employs staff who need to travel throughout Victoria. Employees are encouraged, where possible, to use train or coach services to attend regional meetings, but a vehicle fleet (including machinery) is still required. V/Line switches to lower-emission vehicles at replacement when appropriate.

The following information on energy used by vehicles covers all V/Line operations, separated only by vehicle fuel type.

Travel and Transport	2020-21	2019-20	2018-19
Energy consumption by fleet vehicles (MJ)			
Diesel	72,375,253	66,532,375	59,470,169
Unleaded	677,898	742,128	3,086,516
Total	73,053,151	67,274,503	62,556,685
Energy use per FTE (MJ/FTE)	32,079	30,645	29,342
Greenhouse gas emissions from fleet vehicles (tonnes CO ₂ -e)			
Diesel	5,110	4,697	4,199
Unleaded	47	47	215
Total	5,157	4,744	4,414

Actions undertaken

In operating a broad regional network, V/Line encourages minimising road travel through the use of the rail network and holding online meetings where possible. V/Line also provides opportunity for flexible working and remote working, which also reduces travel emissions. Use of online meeting facilities has been prioritised heavily during the COVID-19 restrictions period, and flexible working arrangements continue to be supported.

Targets

V/Line sets targets for total emissions intensity (tCO₂-e/passenger kilometre), not specifically energy consumption for transport. The target for 2020-21 for energy intensity was put on hold due to the impact of COVID-19 restrictions on passenger kilometre numbers, however total emissions production decreased by two per cent from 2019-20 levels.

Explanatory notes

V/Line has phased out the use of LPG vehicles. V/Line does not keep data on:

- staff modes of travel between work and home
- staff air travel and associated emissions
- specific sub-categories of fuel, meaning emissions are likely to be marginally lower.

Additional information available on request

In compliance with the requirements of the Standing Directions 2018 under the Financial Management Act 1994, details in respect of the items listed below have been retained by V/Line and are available on request, subject to the provisions of the Freedom of Information Act 1982:

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- (b) details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- (c) details of publications produced by the entity about itself, and how these can be obtained
- (d) details of changes in prices, fees, charges, rates and levies charged by the entity
- (e) details of any major external reviews carried out on the entity
- (f) details of major research and development activities undertaken by the entity
- (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 the entity to develop community awareness of the entity 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 the entity and details of time lost through industrial accidents and disputes
- (k) a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- (l) details of all consultancies and contractors including:
 - i. consultants/contractors engaged
 - ii. services provided
 - iii. expenditure committed to for each engagement.

The information is available on request from:

Freedom of Information Officer
V/Line Corporation
 GPO Box 5343
 Melbourne VIC 3001
 Email foi@vline.com.au

Attestation for financial management compliance with Ministerial Standing Direction 5.1.4

V/Line Corporation Financial Management Compliance Attestation Statement

I, Matt Carrick, certify that V/Line Corporation has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

A handwritten signature in black ink, appearing to read "Matt Carrick", with a long, sweeping underline that extends to the right.

Matt Carrick
Chief Executive Officer



1140

B

EMERGENCY
DOOR
RELEASE

V/Line

No. 1 End

THE GAP INDICATE

Financial Statements

V/Line Corporation – Financial Statements

V/Line Corporation has presented its audited general-purpose financial statements for the financial year ended 30 June 2021 in the following structure to provide users with the information about V/Line’s stewardship of resources entrusted to it.

Financial statements

Comprehensive operating statement	76
Balance sheet	77
Cash flow statement	78
Statement of changes in equity	79

Notes to the financial statements

1. About this report	80
The basis on which the financial statements have been prepared and compliance with reporting regulations	
2. Funding delivery of our services	82
Revenue recognised to fulfil its functions and provide outputs	
2.1 Summary of income that funds the delivery of our services	82
2.2 Ticket sales/farebox	83
2.3 Contributions from government	83
2.4 Project re-imburement	83
3. The cost of delivering our services	84
Operating expenses of V/Line	
3.1 Expenses incurred in delivery of services (excluding Depreciation/Amortisation)	84
3.2 Operating costs (excluding labour)	85
3.3 Employee benefits	85
3.3.1 Employee benefits in the comprehensive operating statement	85
3.3.2 Employee benefits in the balance sheet	86
3.4 Superannuation contributions	89
3.5 Administrative expenses	90
3.6 Project expenses	90
3.7 Infrastructure maintenance	90
3.8 Income tax expense/(benefit)	91
3.9 Other economic flows included in net result	91
4. Key assets available to support output delivery	92
Property, plant, equipment and intangible assets utilised in fulfilling V/Line's functions and conducting its activities	
4.1 Property, plant and equipment	93
4.2 Depreciation and impairment	99
4.3 Intangible assets	100

5. Other assets and liabilities	101
Other key assets and liabilities	
5.1 Receivables	101
5.2 Contract assets	102
5.3 Payables	103
5.4 Inventories	104
5.5 Taxes	105
5.6 Other non-financial assets	106
5.7 Other financial assets	107
5.8 Other financial liabilities	107
6. Financing our operations	108
Sources of finance utilised by V/Line during its operations	
6.1 Cash flow information and balances	108
6.2 Lease liabilities	109
6.3 Commitments for expenditure	112
7. Risks, contingencies and valuation judgements	113
Financial risk management, contingent assets and liabilities as well as fair value determination	
7.1 Financial instruments specific disclosures	113
7.2 Contingent assets and contingent liabilities	128
7.3 Fair value determination	129
8. Other disclosures	133
8.1 Scope and presentation of financial statements	134
8.2 Not-for-profit	134
8.3 Going concern	135
8.4 Accounting for the goods and services tax (GST)	135
8.5 Responsible persons	136
8.6 Remuneration of executives	136
8.7 Remuneration of auditors	137
8.8 Equity	137
8.9 Related parties	138
8.10 Subsequent events	141
8.11 Dividends	142
8.12 Australian Accounting Standards issued that are not yet effective	143

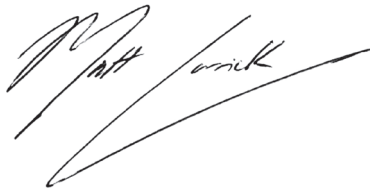
Declaration in the financial statements

The attached financial statements for V/Line Corporation have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and financial position of the entity at 30 June 2021.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 21 October 2021.

A handwritten signature in black ink, appearing to read 'Matt Carrick', with a long horizontal flourish extending to the right.

Matt Carrick, *Chief Executive Officer*

A handwritten signature in black ink, appearing to read 'Albert Giorgini', with a long horizontal flourish extending to the right.

Albert Giorgini, *Chief Financial Officer*

Independent Auditor's Report



Independent Auditor's Report

To the Chief Executive Officer of V/Line Corporation

Opinion	<p>I have audited the financial report of V/Line Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2021 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • declaration in the financial statements.
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In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
--------------------------	---

Chief Executive Officers responsibilities for the financial report	<p>The Chief Executive Officer of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Chief Executive Officer is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>
---	--

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
25 October 2021



Simone Bohan
as delegate for the Auditor-General of Victoria

Comprehensive operating statement ^(a)

For the financial year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Continuing Operations			
Income from transactions			
Revenue	2.1(a)	771,262	706,334
Other income	2.1(b)	253,729	244,434
Total income from transactions		1,024,991	950,768
Expenses from transactions			
Operating costs (excluding labour)	3.2	354,068	308,029
Employee benefit expenses	3.3.1	317,902	302,819
Depreciation/Amortisation	4.2	25,395	26,454
Administrative expenses	3.5	45,321	48,981
Project expenses	3.6	68,135	105,188
Infrastructure maintenance	3.7	185,505	138,903
Interest expense	6.2	1,923	1,095
Total expenses from transactions		998,249	931,469
Net result from transactions (net operating balance)		26,742	19,299
Other economic flows included in net result			
Net loss on financial instruments ^(b)	3.9(a)	(4,927)	(5,655)
Other gain/(loss) from other economic flows	3.9(b)	937	(553)
Total other economic flows included in net result		(3,990)	(6,208)
Net result from continuing operations before income tax		22,752	13,091
Income tax (expense)/benefit	3.8	(2,240)	1,254
Net result for the period after income tax	8.1	20,512	14,345
Other economic flows – other comprehensive income:			
Items that may be reclassified subsequently to net result			
Changes in fair value of hedge instruments, net of tax, in cash flow hedge reserve	8.8	8,652	(3,663)
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.8	–	6,590
Total other economic flows – other comprehensive income		8,652	2,927
Comprehensive result		29,164	17,272

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(b) 'Net gain/(loss) on financial instruments' includes bad and doubtful debts from other economic flows, unrealised and realised gains/(losses) from revaluations, impairments and reversals of impairment.

Balance sheet ^(a)

As at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Assets			
Financial assets			
Cash and cash equivalents	6.1	48,032	16,594
Receivables	5.1	64,713	39,657
Contract assets	5.2	17,785	23,123
Other financial assets	5.7	6,097	–
Total financial assets		136,627	79,374
Non-financial assets			
Inventories	5.4	27,275	24,373
Property, plant and equipment	4.1	196,862	191,404
Intangible assets	4.3	8,361	2,024
Other non-financial assets	5.6	6,437	5,778
Total non-financial assets		238,935	223,579
Total assets		375,562	302,953
Liabilities			
Payables	5.3	115,552	95,655
Employee related provisions	3.3.2	105,770	97,699
Other financial liabilities	5.8	–	6,263
Provision for income tax	5.5	5,948	–
Lease liabilities	6.2	68,508	52,716
Total liabilities		295,778	252,333
Net assets		79,784	50,620
Equity			
Accumulated deficit	8.8	(55,045)	(75,557)
Physical asset revaluation surplus	8.8	130,561	130,561
Cash flow hedge reserve	8.8	4,268	(4,384)
Net worth		79,784	50,620
Commitments for expenditure	6.3		
Contingent assets and contingent liabilities	7.2		

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Cash flow statement ^(a)

For the financial year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from Operating Activities			
Receipts			
Receipts from government		1,030,004	900,650
Receipts from tickets sales and other entities		50,577	113,622
Interest received		89	344
Total receipts		1,080,670	1,014,616
Payments			
Payments to suppliers and employees		(990,835)	(945,270)
GST paid to the ATO ^(b)		(35,076)	(31,578)
Interest paid on lease liabilities		(1,923)	(1,095)
Total payments		(1,027,834)	(977,943)
Net cash flows from operating activities	6.1.1	52,836	36,673
Cash flows from Investing Activities			
Purchases of non-financial assets		(11,622)	(20,751)
Net cash flows used in investing activities		(11,622)	(20,751)
Cash flows from Financing Activities			
Repayment of principal portion of lease liabilities ^(c)		(9,776)	(6,358)
Net cash flows used in financing activities		(9,776)	(6,358)
Net increase in cash and cash equivalents		31,438	9,564
Cash and cash equivalents at the beginning of the financial year		16,594	7,030
Cash and cash equivalents at the end of the financial year	6.1	48,032	16,594

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(b) Goods and Services Tax (GST) paid to the Australian Taxation Office (ATO) is presented on a net basis.

(c) V/Line has recognised cash payments for the principal portion of lease payments as financing activities; cash payments for the interest portion are recognised as operating activities, consistent with the presentation of interest payments and short-term lease payments for leases and low-value assets as operating activities.

Statement of changes in equity^(a)

For the financial year ended 30 June 2021

	Notes	Physical Asset Revaluation Surplus	Cash Flow Hedge Reserve	Accumulated Deficit	Total Equity
		\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	8.8	123,971	(721)	(89,902)	33,348
Net result for the year	8.8	–	–	14,345	14,345
Other comprehensive income for the year	8.8	6,590	(3,663)	–	2,927
Balance at 30 June 2020	8.8	130,561	(4,384)	(75,557)	50,620
Net result for the year	8.8	–	–	20,512	20,512
Other comprehensive income for the year	8.8	–	8,652	–	8,652
Balance at 30 June 2021	8.8	130,561	4,268	(55,045)	79,784

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

1. About this Report

These annual financial statements represent the audited general-purpose financial statements for V/Line Corporation (V/Line) for the year ended 30 June 2021.

V/Line was established as a statutory corporation in 2003 and continues under the *Transport Integration Act 2010*. On 14 October 2008, V/Line was declared a state business corporation pursuant to the *State Owned Enterprises Act 1992*.

Effective 1 July 2021, V/Line ceased to be a state business corporation under the *State Owned Enterprises Act 1992* and pursuant to a transport restructuring order under the *Transport Integration Act 2010*, the Chief Executive Officer became the sole member of V/Line. Its principal address is:

Level 6, 452 Flinders Street
Melbourne 3000

The functions of V/Line are to:

- operate rail and coach passenger services
- operate services ancillary or incidental to its rail passenger services, including any other transport services
- operate and maintain rail infrastructure and related infrastructure, including for communications, to support rail passenger and rail freight services
- manage access to the rail network operated by V/Line
- independently perform a function to meet requirements as set by the Department of Transport (DoT)
- develop and deliver projects, including by constructing rail infrastructure or providing assistance to DoT or any other relevant body in making improvements to the transport system
- provide advice to DoT to assist in operational policy development in relation to public transport system matters as requested by DoT
- develop and implement effective environmental policies, strategies, and management systems under DoT's planning framework to support a sustainable transport system, including minimising any adverse environmental impacts from rail passenger and rail freight services
- provide, or arrange for the provision and dissemination of, information to Victorians about its rail passenger and rail freight services and report on the activities of any other person carrying out the above objectives on behalf of V/Line.

Basis of preparation

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

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

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards (AASs) that have significant effects on the financial statements and estimates relate to:

- the fair value of plant and equipment, leasehold improvements and rolling stock (refer Note 7.3)
- the fair value of financial instruments (refer Note 7.3)
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Notes 3.3.1 and 3.3.2).

All amounts in the financial statements have been rounded to the nearest \$1,000, unless otherwise stated.

Compliance information

These general-purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable AASs which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2. Funding delivery of our services

Introduction

To enable V/Line to fulfil its functions and provide outputs, it receives income from various sources.

Structure

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Ticket sales/farebox
- 2.3 Contributions from government
- 2.4 Project re-imburement

2.1 Summary of income that funds the delivery of our services	Notes	2021 \$'000	2020 \$'000
(a) Revenue			
Ticket sales/farebox	2.2	32,612	76,031
Inter-operator income		831	741
Contributions from Government	2.3	730,683	622,845
Other income		7,136	6,717
		771,262	706,334
(b) Other income			
Interest		89	344
Project re-imburement	2.4	253,640	244,090
		253,729	244,434
Total income from transactions		1,024,991	950,768

Revenue and other income that fund delivery of V/Line's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

2.2 Ticket sales/farebox	Notes	2021	2020
		\$'000	\$'000
myki ticketing system		21,393	54,360
V/Net ticketing system		11,219	21,671
		32,612	76,031

Proceeds from train passenger services provided are recognised as farebox revenue. Revenue is recognised when V/Line satisfies its performance obligations of providing rail passenger services to the customer. V/Line receives farebox revenue from both the myki and V/Net ticketing systems. myki revenues are subject to the allocation methodologies of the New Ticketing System Revenue Sharing Agreement. V/Net is V/Line's ticketing system for non-myki areas and this revenue is directly received.

2.3 Contributions from government

Franchise subsidy	722,869	615,704
Leave funding	7,814	7,141
	730,683	622,845

The State Government of Victoria provides subsidies to V/Line under a Partnership Agreement, which is considered enforceable and includes sufficiently specific performance obligations. Accordingly these contributions are accounted for as revenue in accordance with AASB 15 *Revenue from Contracts with Customers*, and are recognised as revenue when the performance obligations are satisfied, which is generally upon receipt of each tranche of the Franchise subsidy. These contributions are of an operational nature.

2.4 Project re-imburement

Government	243,672	222,574
Other entities	9,968	21,516
Project re-imburement	253,640	244,090

Revenue from project re-imburement is recognised based on an expense recovery model (i.e. to recover project costs with no added margin). They are recognised as revenue when the performance obligations under the project contract are satisfied. V/Line uses the input method to measure progress based on the costs incurred and revenue is recognised over time, when V/Line invoices the customer. The related project expenditure is detailed under note 3.1 within Project expenses, and Infrastructure maintenance, and further within notes 3.6 and 3.7 respectively.

V/Line undertakes various major public transport infrastructure projects, on assets owned by other government entities. These projects include the annual works program, level crossing upgrades, track and bridge replacements, new stations and platforms, rolling stock maintenance and upgrading, sleeper renewals, signalling upgrades, maintenance of new or existing stabling yards and track extensions.

V/Line manages all of its projects according to its 'Project Management Methodology'. Many of these projects are funded through various government bodies such as DoT. Small scale projects are also undertaken based on the request of city councils, Victorian Rail Track (VicTrack) or Metro Trains Melbourne (MTM) which are fully funded with a zero margin.

3. The cost of delivering our services

Introduction

This section provides an account of the expenses incurred by V/Line in delivering services and outputs.

In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with the provision of services are recorded.

Structure

- 3.1 Expenses incurred in delivery of services
- 3.2 Operating costs (excluding labour)
- 3.3 Employee benefits
- 3.4 Superannuation contributions
- 3.5 Administrative expenses
- 3.6 Project expenses
- 3.7 Infrastructure maintenance
- 3.8 Income tax expense/(benefit)
- 3.9 Other economic flows included in net result

3.1 Expenses incurred in delivery of services (excluding Depreciation/Amortisation)	Notes	2021	2020
		\$'000	\$'000
Operating costs (excluding labour)	3.2	354,068	308,029
Employee benefit expenses	3.3.1	317,902	302,819
Operational expenses		671,970	610,848
Administrative expenses	3.5	45,321	48,981
Project expenses	3.6	68,135	105,188
Infrastructure maintenance	3.7	185,505	138,903
Total expenses incurred in delivery of services		970,931	903,920

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

3.2 Operating costs (excluding labour)	Notes	2021	2020
		\$'000	\$'000
Fleet maintenance		148,598	121,917
Fuel costs		24,087	29,809
Access charges		17,018	16,653
V/Line branded coach contract costs		39,045	40,144
Road coach services		16,340	26,434
Other direct costs		48,247	36,802
Repairs and maintenance		60,733	36,270
Total operating costs (excluding labour)		354,068	308,029

These expenses represent the day-to-day running costs incurred in normal operations.

Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for repairs and maintenance are expensed when used.

3.3 Employee Benefits

3.3.1 Employee benefit expenses in the comprehensive operating statement

Salaries and wages	226,743	217,885
Superannuation	32,479	31,109
Annual leave and long service leave expense	39,989	34,190
Other on-costs (payroll tax and WorkCover levy)	18,691	19,635
Total employee benefit expenses	317,902	302,819

Employee benefit expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

	2021	2020
	\$'000	\$'000
3.3.2 Employee benefits in the balance sheet		
Current employee provisions		
Employee benefits (Note 3.3.2 (a)) ⁽ⁱ⁾		
Annual leave (Note 3.3.2(a))		
Unconditional and expected to settle within 12 months ⁽ⁱⁱⁱ⁾	26,519	23,065
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	6,887	6,060
	33,406	29,125
Other leave (Note 3.3.2(a))		
Unconditional and expected to settle within 12 months ⁽ⁱⁱⁱ⁾	3,657	3,214
	3,657	3,214
Long service leave (Note 3.3.2(a))		
Unconditional and expected to settle within 12 months ⁽ⁱⁱⁱ⁾	13,551	12,786
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	32,507	31,884
	46,058	44,670
Other provisions – employee related (Note 3.3.2(a))	1,374	1,446
	1,374	1,446
Total employee benefits	84,495	78,455
Provisions for on-costs (Note 3.3.2(a) and Note 3.3.2(b))		
Unconditional and expected to settle within 12 months ⁽ⁱⁱⁱ⁾	6,389	5,805
Unconditional and expected to settle after 12 months ⁽ⁱⁱ⁾	4,111	3,995
Total on-costs	10,500	9,800
Total current provisions for employee benefits	94,995	88,255
Non-current employee provisions		
Employee benefits (Note 3.3.2(a)) ⁽ⁱ⁾ – Long service leave	9,880	8,647
On-costs (Note 3.3.2(a) and Note 3.3.2(b))	895	797
Total non-current provisions for employee benefits	10,775	9,444
Total provisions for employee benefits	105,770	97,699

(a) Employee benefits and on-costs ⁽ⁱ⁾	2021	2020
	\$'000	\$'000
Current employee benefits		
Annual leave	33,406	29,125
Long service leave	46,058	44,670
Other leave	3,657	3,214
Other provisions – employee related	1,374	1,446
	84,495	78,455
Non-current employee benefits		
Long service leave	9,880	8,647
	9,880	8,647
Total employee benefits	94,375	87,102
Current on-costs	10,500	9,800
Non-current on-costs	895	797
Total on-costs	11,395	10,597
Total employee benefits and on-costs	105,770	97,699

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected separately.

(ii) These amounts are recorded at present value.

(iii) These amounts are recorded at nominal values.

	Employee Benefits	On-costs	Total
	\$'000	\$'000	\$'000
(b) Reconciliation of movement in provisions			
2021			
Opening Balance	87,102	10,597	97,699
Net additional provisions recognised and reductions arising from payments/other sacrifices of future economic benefits	8,127	881	9,008
Unwind of discount and effect of changes in the discount rate	(854)	(83)	(937)
Closing Balance	94,375	11,395	105,770

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

Employee benefits are guaranteed by the State of Victoria. This guarantee does not satisfy the recognition criteria under the AASs for an offsetting receivable to be recognised in the accounts of V/Line.

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and other short-term employee benefits, are recognised as part of the employee benefit provision as current liabilities, because V/Line does not have an unconditional right to defer the settlement of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at reporting date. Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and other short-term employee benefits are measured at:

- undiscounted value – if V/Line expects to wholly settle the liability within 12 months; or
- present value – if V/Line does not expect to wholly settle the liability within 12 months.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

(ii) Long service leave

A liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed as a current liability even where V/Line 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 are measured at:

- undiscounted value – if V/Line expects to wholly settle within 12 months; or
- present value – if V/Line does not expect to wholly settle within 12 months.

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

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

(iii) Termination benefits

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

(iv) Employee benefits on-costs

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

Superannuation on-costs associated with the annual leave provision has been applied to ninety per cent of the provision before on-costs. The remaining 10 per cent representing estimated terminations do not attract superannuation payment obligation.

3.4 Superannuation contributions

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

The amount recognised in the comprehensive operating statement of V/Line in relation to superannuation is employer contributions for members of both defined benefit and defined contribution plans that are paid or payable during the reporting period.

V/Line does not recognise any defined benefit liability in respect of the plans because it has no legal or constructive obligation to pay future benefits relating to its employees. Its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

The names, details and amounts in relation to the major employee superannuation funds and contributions made by V/Line are as follows:

	Paid contribution for the year		Contributions outstanding at year end	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Fund				
Defined benefit plans⁽ⁱ⁾				
Emergency Services and State Super (via the New Scheme, Revised Scheme and Transport Scheme)	8,307	8,781	649	747
Total defined benefit plans	8,307	8,781	649	747
Defined contribution plans				
VicSuper	12,302	11,367	1,020	969
Various other	11,510	9,982	824	728
Total defined contribution plans	23,812	21,349	1,844	1,697
Total superannuation plans	32,119	30,130	2,493	2,444

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

3.5 Administrative expenses

Administrative expenses are made up of the following expense categories:

	2021	2020
	\$'000	\$'000
Information technology and communication	15,591	14,795
Motor vehicle	4,139	4,619
Short-term lease expenses	2,145	2,854
Leases of low-value assets	341	396
Other administration	16,848	19,650
Total administration	39,064	42,314
Selling	749	1,275
Marketing and communication	1,756	1,414
Customer services	3,752	3,978
Total Administrative expenses	45,321	48,981

These expenses are recognised as an expense in the period in which they are incurred.

Lease payments

The following lease payments are recognised on a straight-line basis:

- short-term leases – leases with a lease term of 12 months or less
- leases of low-value assets – leases where the underlying asset's fair value when new is individually no more than \$10,000.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate and which are not, in substance fixed) are recognised in the Comprehensive operating statement in the period in which the event or condition that triggers those payments occur.

3.6 Project expenses

V/Line undertakes various major public transport infrastructure projects, on assets owned by other government entities. These projects include the annual works program, level crossing upgrades, track and bridge replacements, new stations and platforms, rolling stock maintenance and upgrading, sleeper renewals, signalling upgrades, maintenance of new or existing stabling yards, and track extensions.

Project expenses are recognised as an expense in the period in which they are incurred.

3.7 Infrastructure maintenance

Infrastructure maintenance expenses are recognised as an expense in the period in which they are incurred.

3.8 Income tax expense/(benefit)	2021	2020
	\$'000	\$'000
Accounting profit before income tax	22,752	13,091
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2020: 30%)	6,826	3,927
Tax expense relating to non-temporary differences	1	1
Utilisation of tax losses not previously recognised	(4,197)	(7,414)
De-recognition/(recognition) of deferred tax asset	(390)	2,232
Income tax expense/(benefit)	2,240	(1,254)
The components of tax expense/(benefit) comprises:		
Current tax	5,903	7,469
Deferred tax	(3,663)	(8,723)
Total tax expense/(benefit)	2,240	(1,254)
Weighted average tax rate	9.84%	-9.58%

The tax effect of unrecognised tax losses carried forward at 30 June 2021 was Nil (30 June 2020: \$4,196,972).

3.9 Other economic flows included in net result

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

	2021	2020
	\$'000	\$'000
(a) Net loss on financial instruments		
Allowance for impairment losses of contractual receivables	(369)	(40)
Net loss on diesel hedge	(4,056)	(5,611)
Net loss on foreign currency hedge	(502)	(4)
Total net loss on financial instruments	(4,927)	(5,655)
(b) Other gain/(loss) from other economic flows		
Net gain/(loss) arising from revaluation of long service leave liability	937	(553)
Total other gain/(loss) from other economic flows	937	(553)

4. Key assets available to support output delivery

Introduction

V/Line controls infrastructure that is utilised in fulfilling its functions and conducting its activities. They represent the resources that have been entrusted to V/Line to be utilised for delivery of those outputs.

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

Structure

- 4.1 Property, plant and equipment
- 4.2 Depreciation and impairment
- 4.3 Intangible assets

4.1 Property, plant and equipment

4.1.1 Classification by purpose – carrying amounts ^{(i) (a)}

	Transport ⁽ⁱⁱ⁾	
	2021	2020
	\$'000	\$'000
Rolling stock		
At fair value	102,445	102,445
Accumulated depreciation	(9,238)	–
Net carrying amount	93,207	102,445
Rolling stock – capitalised improvements		
At fair value	6,943	–
Accumulated depreciation	(774)	–
Net carrying amount	6,169	–
Plant and equipment ⁽ⁱⁱⁱ⁾		
At fair value	78,199	64,904
Accumulated depreciation	(43,966)	(36,523)
Net carrying amount	34,233	28,381
Leasehold improvements		
At fair value	10,222	9,324
Accumulated depreciation	(6,178)	(5,567)
Net carrying amount	4,044	3,757
Buildings ⁽ⁱⁱⁱ⁾		
At fair value	51,990	36,427
Accumulated depreciation	(8,945)	(3,296)
Net carrying amount	43,045	33,131
Capital works-in-progress	16,164	23,690
Total property, plant and equipment	196,862	191,404

(a) AASB 16 Leases has been applied for the first time from 1 July 2019.

(i) Property plant and equipment are classified primarily by the 'purpose' for which the assets are used, based upon the Classification of the functions of government (COFOG) categories. Assets in a COFOG category are further sub-categorised according to the assets' 'nature' (i.e. buildings, plant, and equipment, etc.), with each sub-category being classified as a separate class of asset for financial reporting purposes.

(ii) V/Line classifies all its property, plant and equipment into the Transport category, based upon the government's COFOG framework.

(iii) The carrying amounts include right-of-use assets.

Included in the above property, plant and equipment are the following right-of-use assets:

	2021	2020
	\$'000	\$'000
Plant and equipment		
At fair value	32,474	22,648
Accumulated depreciation	(9,665)	(4,267)
Net carrying amount	22,809	18,381
Buildings		
At fair value	51,990	36,427
Accumulated depreciation	(8,945)	(3,296)
Net carrying amount	43,045	33,131
Total right-of-use assets	65,854	51,512

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment upon the revaluation of the entire asset class. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. The cost of constructed assets includes the costs of all materials used in construction and direct labour costs of the project.

V/Line's non-financial physical assets are mostly specialised in nature. As a not-for-profit entity, V/Line's non-financial physical assets are held for continuing use of their service capacity and not primarily for their ability to generate net cash inflows. As a result, the fair value of V/Line's non-financial physical assets has been determined by reference to the asset's current replacement cost, adjusting for the associated depreciation.

For plant and equipment and leasehold improvements, existing depreciated cost is generally a reasonable proxy for current replacement cost because of the short lives of the assets concerned.

Right-of-use assets represent V/Line's right to use an underlying asset obtained under a lease contract for the lease term. Right-of-use assets are initially measured at cost, which consist of the initial amount of the related lease liability adjusted for any prepaid lease payments less any lease incentives received plus any initial direct costs incurred less an estimate of dismantling and removal costs. Subsequently, right-of-use assets are measured at current replacement cost less accumulated depreciation and impairment, and adjusted for any remeasurement of the related lease liability. The right-of-use assets are subject to revaluation (if any).

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

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

4.1.2 Classification by 'purpose' group – reconciliation of movement in carrying amounts	Transport	
	2021	2020
	\$'000	\$'000
Rolling stock at fair value		
Carrying amount at beginning of year	102,445	77,802
Depreciation expense	(9,238)	(6,329)
Transfer of carrying amount from Capitalised improvements due to revaluation	–	21,557
Revaluation	–	9,415
Carrying amount at end of year	93,207	102,445
Rolling stock at cost – capitalised improvements		
Carrying amount at beginning of year	–	22,084
Additions	6,943	8,252
Depreciation expense	(774)	(8,779)
Transfer of carrying amount to Rolling stock due to revaluation	–	(21,557)
Carrying amount at end of year	6,169	–
Plant and equipment		
Carrying amount from previous year	28,381	6,095
Recognition of right-of-use assets on initial application of AASB 16	–	13,085
Adjusted carrying amount at beginning of year	28,381	19,180
Additions	13,856	14,986
Remeasurements	(146)	(25)
Disposals	(5)	(50)
Depreciation expense	(7,853)	(5,710)
Carrying amount at end of year	34,233	28,381
Leasehold improvements		
Carrying amount at beginning of year	3,757	1,412
Additions	905	2,900
Disposals	(7)	(32)
Depreciation expense	(611)	(523)
Carrying amount at end of year	4,044	3,757
Buildings		
Carrying amount from previous year	33,131	–
Recognition of right-of-use assets on initial application of AASB 16	–	6,986
Adjusted carrying amount at beginning of year	33,131	6,986
Additions	15,559	25,191
Remeasurements	4	4,250
Depreciation expense	(5,649)	(3,296)
Carrying amount at end of year	43,045	33,131
Capital works in progress		
Carrying amount at beginning of year	23,690	20,783
Net additions/(transfers)	(7,526)	2,907
Carrying amount at end of year	16,164	23,690

4.1.2 Classification by 'purpose' group – reconciliation of movement in carrying amounts	Transport	
	2021	2020
	\$'000	\$'000
Total property, plant and equipment		
Carrying amount from previous year	191,404	128,176
Recognition of right-of-use assets on initial application of AASB 16	–	20,071
Adjusted carrying amount at beginning of year	191,404	148,247
Additions	37,263	51,329
Remeasurements	(142)	4,225
Revaluation	–	9,415
Disposals	(12)	(82)
Depreciation expense	(24,125)	(24,637)
Net additions/(transfers) from capital works in progress	(7,526)	2,907
Carrying amount at end of year	196,862	191,404
Included in the movement of property, plant and equipment above is the following movement of right-of-use assets:		
Plant and equipment		
Carrying amount from previous year	18,381	–
Recognition of right-of-use assets on initial application of AASB 16	–	13,085
Adjusted carrying amount at beginning of year	18,381	13,085
Additions	10,149	9,588
Remeasurements	(146)	(25)
Depreciation expense	(5,575)	(4,267)
Carrying amount at end of year	22,809	18,381
Buildings		
Carrying amount from previous year	33,131	–
Recognition of right-of-use assets on initial application of AASB 16	–	6,986
Adjusted carrying amount at beginning of year	33,131	6,986
Additions	15,559	25,191
Remeasurements	4	4,250
Depreciation expense	(5,649)	(3,296)
Carrying amount at end of year	43,045	33,131
Total right-of-use assets		
Carrying amount from previous year	51,512	–
Recognition of right-of-use assets on initial application of AASB 16	–	20,071
Adjusted carrying amount at beginning of year	51,512	20,071
Additions	25,708	34,779
Remeasurements	(142)	4,225
Depreciation expense	(11,224)	(7,563)
Carrying amount at end of year	65,854	51,512

4.1.3 Rolling stock

The rolling stock fleet comprises diesel electric locomotives, carriages, diesel multiple units (known as Sprinters) and vans. Repairs and maintenance work on the rolling stock is scheduled in accordance with V/Line's rolling stock management plan and rail safety management standards. Scheduled maintenance examinations on rolling stock are determined at set intervals depending on the type of rolling stock.

The refurbishment program, as part of the rolling stock management plan, consists of major examinations and overhauls of rolling stock. V/Line treats these examinations as significant upgrades, which extend the useful life of the rolling stock. The refurbishment program will allow for the fleet to operate to the current useful life profile as per the 2020 Valuer General Victoria (VGV) full valuation. The refurbishment program also includes the replacement of major units such as traction and locomotive motors, generators, wheel sets and bogies.

These items are capitalised and depreciated over their useful life, and their carrying values are taken into consideration when adjusting the carrying value of rolling stock to fair value. All other maintenance examinations and minor work are treated as repairs and maintenance and expensed when incurred.

Non-financial physical assets, including rolling stock, are measured at fair value in accordance with FRD 103I *Non-financial physical assets* issued by the Minister for Finance. V/Line undertook an independent revaluation of its rolling stock as at 30 June 2020 in line with the five-year revaluation cycle based on the assets' COFOG classification. Independent valuers are used to conduct the scheduled revaluation. In between the scheduled revaluations, V/Line conducts roll-forward valuations for financial reporting purposes, which are determined in accordance with the requirements of the FRDs. Revaluations may occur more frequently if fair value assessments indicate material changes in value.

The independent scheduled valuation of V/Line's rolling stock was performed by the VGV as at 30 June 2020. The VGV adopted current replacement cost as the valuation basis for the rolling stock rather than a market comparison or income approach, as the market for the rolling stock lacks sufficient depth due to the specialised nature of the assets and the small population and volume traded, and the rolling stock assets lack separately identifiable cash flows. The current replacement cost approach adopted by the VGV is less sensitive to external economic factors compared to market or income-based valuation approaches. The calculation of current replacement cost involved establishing the gross current replacement cost of the assets, and then depreciating this value to reflect the anticipated effective working life of the asset from new, the age of the asset and the estimated residual value at the end of the asset's working life.

For the year ended 30 June 2021, the VGV has completed a roll-forward valuation on V/Line's rolling stock assets consistent with the requirements of the FRDs and the assumptions adopted within the last independent scheduled revaluation. The interim revaluation did not differ materially from the 30 June 2020 scheduled revaluation adjusted for associated depreciation expense. V/Line considers that the net carrying value of the rolling stock as at 30 June 2021 is a reasonable approximation of its fair value.

Whilst the VGV has not applied an adjustment for economic obsolescence in the determination of current replacement cost, the valuer has advised that the current market environment, impacted by the COVID-19 pandemic, creates significant valuation uncertainty. Future changes to the economic environment may require variations to assumptions which could have a material impact on the valuation outcome.

Revaluation increments, or decrements arise from differences between an asset's carrying amount and fair value.

Revaluation increments, or decrements are accounted for as follows:

- net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'Other economic flows – other comprehensive income' and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result
- net revaluation decreases are recognised in 'Other economic flows – other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in 'Other economic flows – other comprehensive income' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that asset class and are not offset in respect of assets in different classes. The asset revaluation surplus is not transferred to accumulated funds on de-recognition of the relevant asset.

4.1.4 Leasehold improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvement.

In general, the fair value of those assets is measured at the current replacement cost. There are limitations and restrictions imposed on those assets' use and/or disposal which may impact the fair value of these assets and should be taken into account when the fair value is determined.

4.2 Depreciation and impairment	2021	2020
	\$'000	\$'000
Depreciation and amortisation – charge for the period		
Rolling stock	9,238	6,329
Rolling stock – capitalised improvements	774	8,779
Plant and equipment ^(a)	7,853	5,710
Leasehold improvements	611	523
Buildings ^(a)	5,649	3,296
Intangible assets (amortisation)	1,270	1,817
Total depreciation and amortisation	25,395	26,454

(a) Includes depreciation charge on right-of-use assets.

Included in the above depreciation charge is the following depreciation charge on right-of-use assets:

Plant and equipment	5,575	4,267
Buildings	5,649	3,296
Total depreciation on right-of-use assets	11,224	7,563

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's 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.

Right-of-use assets are depreciated over the lease term as V/Line does not obtain ownership of the underlying asset at the end of the lease term.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Estimated useful lives of property, plant and equipment

The estimated useful lives for the different asset classes for both current and prior years are set out below:

Rolling stock	2 to 22 years
Rolling stock – capitalised improvements	2 to 22 years
Plant and equipment (including right-of-use assets)	3 to 10 years
Leasehold improvements	3 to 13 years
Buildings (including right-of-use assets)	3 to 10 years

Impairment

All non-financial assets, except for deferred tax assets, inventories and prepayments, are assessed annually for indications of impairment. The impairment is then accounted for in line with the revaluation decrements as per Note 4.1.3.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does

not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior years.

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

4.3 Intangible assets	2021	2020
	\$'000	\$'000
Gross carrying amount		
Opening balance	16,706	15,331
Additions	7,607	1,375
Closing balance	24,313	16,706
Accumulated amortisation		
Opening balance	(14,682)	(12,865)
Amortisation of intangible assets	(1,270)	(1,817)
Closing balance	(15,952)	(14,682)
Net book value at end of financial year	8,361	2,024

Intangible assets consist of computer software and are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected the additional future economic benefits will flow to V/Line.

Amortisation

Intangible assets with finite lives are amortised on a systematic (straight line) basis over the asset's useful life. Computer software intangible assets are amortised over four years. 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.

Impairment

Intangible assets are assessed annually for indications of impairment. The policy in connection with impairment is outlined in Note 4.2.

5. Other assets and liabilities

Introduction

This section sets out those assets and liabilities that arose from V/Line's controlled operations.

Structure

- 5.1 Receivables
- 5.2 Contract assets
- 5.3 Payables
- 5.4 Inventories
- 5.5 Taxes
- 5.6 Other non-financial assets
- 5.7 Other financial assets
- 5.8 Other financial liabilities

5.1 Receivables	2021	2020
	\$'000	\$'000
Contractual		
Trade receivables	49,531	31,820
Other receivables	14,182	6,519
Allowance for impairment of contractual receivables	(521)	(177)
	63,192	38,162
Statutory		
Fuel rebate receivable from the ATO	1,521	1,495
	1,521	1,495
Total receivables	64,713	39,657
Represented by		
Current receivables	63,192	38,162
Non-current receivables	–	–
Related party receivables (included in contractual receivables)^(a)		
DoT	55,726	24,252
Other related parties	1,741	4,059
	57,467	28,311

(a) Refer Note 8.9 Related parties.

Contractual receivables, such as debtors in relation to sales of goods and services, represent passenger, inter-operator and other revenue receivable. They are classified as financial instruments and categorised as ‘financial assets at amortised cost’. They are initially recognised at fair value plus any directly attributable transaction costs. V/Line holds the contractual receivables with the objective to collect the contractual cash flows and therefore they are subsequently measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables, such as amounts owing from the ATO relating to fuel tax credits, do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified

as financial instruments for disclosure purposes. V/Line applies AASB 9 *Financial Instruments* for initial measurement of the statutory receivables and as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Details about V/Line’s impairment policies, exposure to credit risk and the calculation of the loss allowance are set out in Note 7.1.

Related party receivables predominantly consist of amounts owing from DoT and are carried at nominal value due to their short-term nature. There is no interest charged on related party receivables. They are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment.

5.2 Contract assets	2021	2020
	\$'000	\$'000
Opening balance	23,123	13,555
Add: Additional costs incurred and recoverable from customers	253,640	244,090
Less: Amounts transferred to receivables	(258,978)	(234,522)
Total contract assets	17,785	23,123
Represented by		
Current contract assets	17,785	23,123
Non-current contract assets	–	–

Contract assets relate to V/Line’s right to consideration in exchange for services performed under project contracts for customers, which were completed but not yet billed at the reporting date. The Contract assets are transferred to Receivables when the rights become unconditional, at which time an invoice is issued. The balance of the contract assets as at the year end was impacted by the timing of project works completed but not billed at balance date. The project billing is expected to occur by early next year.

5.3 Payables	2021	2020
	\$'000	\$'000
Contractual		
Trade payables – unsecured	62,864	12,840
Amounts payable to government and agencies ⁽ⁱ⁾	–	20,000
Superannuation payable	2,802	3,460
Accruals	33,736	36,300
Deferred income	5,982	8,052
Other payables	8,705	8,355
	114,089	89,007
Statutory		
GST (receivable)/payable	(460)	1,454
FBT payable	139	164
Other taxes payable	1,859	4,982
WorkCover payable	(75)	48
	1,463	6,648
Total payables	115,552	95,655
Represented by		
Current payables	115,552	95,655
Non-current payables	–	–
Related party payables (included in Trade payables – unsecured and Amounts payable to government and agencies) ^(a)		
DoT and VicTrack	1,932	20,595

Contractual payables consist of trade payables, amounts payable to government and agencies and unearned income from tickets sold relating to trips that will be taken after the reporting date and deferred income. Trade payables represent liabilities for goods and services provided to V/Line prior to the end of the financial year that are unpaid. They are classified as financial instruments and are measured at amortised cost.

Statutory payables consist of goods and services tax payable, fringe benefits tax payable and payroll-related payables. They are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the

category of financial liabilities at amortised cost, because they do not arise from contracts.

The average credit period for related party payables is 30 days. No interest is charged on outstanding payables. Terms and conditions of amounts payable to other government agencies vary according to a particular agreement with that agency.

In the previous financial year, the advance from DoT was a Public Account Advance made under s.37 of the FMA. This advance represented short-term funding to facilitate the State Government initiative of fast-tracking payments to creditors in response to the COVID-19 pandemic. This amount was repaid during this financial year.

(a) Note 8.9 Related parties.

(i) Amounts payable to government and agencies in the previous year principally comprised a public account advance under s.37 of the FMA.

Maturity analysis of contractual payables^(a)

	Maturity Dates					
	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021						
Payables:						
Trade payables	62,864	61,655	1,064	145	–	–
Superannuation	2,802	–	2,802	–	–	–
Accruals	33,736	–	33,736	–	–	–
Other payables	8,705	8,705	–	–	–	–
Total	108,107	70,360	37,602	145	–	–

2020**Payables:**

Trade payables	12,840	11,685	733	422	–	–
Amounts payable to government and agencies	20,000	–	–	20,000	–	–
Superannuation	3,460	–	3,460	–	–	–
Accruals	36,300	–	36,300	–	–	–
Other payables	8,355	8,355	–	–	–	–
Total	80,955	20,040	40,493	20,422	–	–

Note: (a) Maturity analysis is presented using the contractual undiscounted cash flows.

5.4 Inventories

	2021	2020
	\$'000	\$'000
Spares and materials at cost	27,275	24,373

Inventories include goods and other property held for consumption in the ordinary course of business operations. Inventories are measured at the lower of cost and net realisable value.

V/Line has a contract with a supplier for the supply of various spare parts for rolling stock maintenance which are to be made available upon request. This practice is considered by industry to be best practice as it has the lowest storage costs. These spare parts are valued using the weighted average cost formula. Stock of fuel is also measured using the weighted average cost formula.

5.5 Taxes	2021	2020
	\$'000	\$'000
Provision for income tax		
Current tax liability	5,948	–
Deferred tax balances		
Gross deferred tax assets – temporary differences		
(De)recognised deferred tax assets available for offsetting against future taxable income	–	(5,622)
Accruals	109	1,902
Provision for employee entitlements	32,363	29,096
Other provisions	952	414
Equity – Cash flow hedge reserve	36	1,879
Derecognition of deferred tax asset	(33,460)	–
Total deferred tax assets	–	27,669
Deferred tax liability		
Accelerated depreciation for taxation purposes	23,539	24,845
Equity – Asset Revaluation Reserve	2,824	2,824
Equity – Cash flow hedge reserve	1,865	–
Derecognition of deferred tax liability	(28,228)	–
Total deferred tax liability	–	27,669
Net deferred tax asset/(liability)	–	–
Movement in deferred tax liability		
Opening net deferred tax liability	–	–
Deferred tax movement through equity	(3,708)	(1,254)
(De)recognition of deferred tax asset	390	(2,277)
Current year deferred tax (expense)/benefit	3,318	3,531
Aggregate deferred tax asset/(liability)	–	–
Amount charged directly to equity		
Cash flow hedge reserves	(3,708)	1,570
Physical asset revaluation surplus	–	(2,824)
Total amount charged to equity	(3,708)	(1,254)

By direction of the Treasurer of Victoria, under the State Owned Enterprises Act 1992, V/Line entered into the National Tax Equivalent Regime (NTER) on 10 June 2004. Any NTER expense payable is calculated on operating profit or loss adjusted for temporary differences between NTER income and accounting income.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or liability is settled. Deferred tax is credited in the comprehensive operating statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets were not recognised for deductible temporary differences as management is uncertain that future taxable profits will be available to utilise these temporary differences.

On 1 July 2021 V/Line ceased to be a state business corporation under the State Owned Enterprises Act 1992 and continues as a statutory corporation under the Transport Integration Act 2010. As a not-for-profit statutory corporation, V/Line has made application for removal from the NTER on the basis that V/Line should no longer be subject to the NTER pursuant to section 88 of the State Owned Enterprises Act 1992. V/Line would continue to be exempt from income tax under the Income Tax Assessment Act 1936 (Commonwealth). Deferred tax assets and liabilities have been derecognised in the financial statements as it is probable that there will not be taxable income arising in future periods.

5.6 Other non-financial assets	2021	2020
	\$'000	\$'000
Current other non-financial assets		
Prepayments	6,437	5,778
Total other non-financial assets	6,437	5,778
Represented by:		
Current non-financial assets	6,437	5,778
Non-current financial assets	–	–

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or the payments made for services covering a term extending beyond that financial accounting period.

5.7 Other financial assets	2021	2020
	\$'000	\$'000
Current other financial assets		
Fuel hedge derivatives	6,217	-
Foreign currency hedge derivatives	(120)	-
Total other financial assets	6,097	-
Represented by:		
Current other financial assets	6,097	-
Non-current other financial assets	-	-

5.8 Other financial liabilities	2021	2020
	\$'000	\$'000
Current other financial liabilities		
Fuel hedge derivatives	-	6,225
Foreign currency hedge derivatives	-	38
Total other financial liabilities	-	6,263
Represented by:		
Current other financial liabilities	-	6,263
Non-current other financial liabilities	-	-

To reduce cash flow volatility and to provide increased certainty over its commodity and foreign currency risk exposures, V/Line has entered into diesel fuel and foreign currency hedges with Treasury Corporation of Victoria (TCV). The amounts recognised in Other financial assets represent the fair values of the respective hedge derivatives as at 30 June 2021.

6. Financing our operations

Introduction

This section provides information on the sources of finance utilised by V/Line during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of V/Line.

This section includes disclosures of balances that are financial instruments (such as lease liabilities and cash balances). Notes 7.1 and 7.3 provide additional specific financial instrument disclosures.

Structure

- 6.1 Cash flow information and balances
- 6.2 Lease liabilities
- 6.3 Commitments for expenditure

6.1 Cash flow information and balances	2021	2020
	\$'000	\$'000
Cash at bank	47,870	16,436
Cash on hand	162	158
Total cash and cash equivalents as per balance sheet and cash flow statement	48,032	16,594

Cash and cash equivalents comprise cash on hand and cash at bank, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

6.1.1 Reconciliation of net result for the period to cash flow from operating activities	2021	2020
	\$'000	\$'000
Net result for the period	20,512	14,345
Non-cash movements		
Depreciation and amortisation of non-current assets	25,395	26,454
Tax expense/(benefit)	2,240	(1,254)
Movements in assets and liabilities		
Increase in trade and other receivables	(25,055)	(1,436)
Decrease/(increase) in contract assets	5,337	(23,123)
(Increase)/decrease in inventories	(2,902)	3,466
(Increase)/decrease in prepayments	(659)	758
Increase in trade and other payables	19,898	12,191
Increase in employee related provisions	8,070	5,272
Net cash flows generated from operating activities	52,836	36,673

6.2 Lease liabilities	2021	2020
	\$'000	\$'000
Current lease liabilities ^(a)	10,502	7,665
Non-current lease liabilities ^(a)	58,006	45,051
Total lease liabilities	68,508	52,716

V/Line's lease liabilities consist of the following:

- (i) lease of office premises, with lease terms ranging from three to 10 years
- (ii) lease of motor vehicles and plant and equipment, with lease terms ranging from three to eight years.

V/Line has elected to account for short-term leases and leases of low-value assets using the practical expedients under AASB 16 *Leases*. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line bases over the lease term.

For all lease contracts entered into, V/Line considers whether the contract is, or contains, a lease. An assessment is made on whether the contract conveys the right to control the use of an identified asset by assessing whether V/Line has both the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- the right to direct the use of the identified asset throughout the period of use.

(a) Secured by the assets leased. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Where all the conditions above are met, V/Line recognises a right-of-use asset and a corresponding lease liability. V/Line accounts for lease components within the contract separately from non-lease components, which are excluded when determining the lease liability and right-of-use asset.

The right-of-use assets are presented in Property, plant and equipment in Note 4.1.

Lease liabilities are classified as financial instruments and are stated at amortised cost. At initial measurement, lease liabilities are measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease if the rate is determinable or V/Line's incremental borrowing rate. Lease payments included in the measurement of the lease liability consist of:

- fixed payments (including in-substance payments) less any incentive receivable

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

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest charged. The lease liability is remeasured to reflect any reassessment or modification, or when there are changes to the in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or to the Comprehensive operating statement if the right-of-use asset is already reduced to zero.

Maturity analysis of lease liabilities ^(a)

	Carrying amount	Nominal amount	Maturity Dates				
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021							
Lease liabilities	68,508	76,157	1,054	2,099	9,217	39,032	24,755
2020							
Lease liabilities	52,716	59,168	797	1,551	6,756	28,503	21,561

(a) Maturity analysis is presented using the contractual undiscounted cash flows.

Amounts recognised in the Comprehensive operating statement

The following amounts are recognised in the Comprehensive operating statement relating to leases:

	2021	2020
	\$'000	\$'000
Interest expense on lease liabilities	1,923	1,095
Expenses relating to short term leases	2,145	2,854
Expenses relating to leases of low value assets	341	396
Total amount recognised in the Comprehensive operating statement	4,409	4,345

Interest expense represents the interest component on lease repayments. Interest expense is recognised in the period in which it is incurred.

Amounts recognised in the Statement of cash flows

The following amounts relating to leases are recognised in the Statement of cash flows during the financial year:

	2021	2020
	\$'000	\$'000
Total cash outflow for leases	11,699	7,453

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST.

Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

Nominal values	2021	2020
	\$'000	\$'000
Capital commitments payable		
Less than 1 year	1,210	344
Longer than 1 year but not longer than 5 years	–	–
5 years or more	–	–
Total capital commitments	1,210	344
Other commitments payable		
Less than 1 year	7,195	5,482
Longer than 1 year but not longer than 5 years	1,122	2,530
5 years or more	–	–
Total other commitments	8,317	8,012
Total commitments (inclusive of GST)	9,527	8,356
Less GST recoverable from the ATO	866	760
Total commitments (exclusive of GST)	8,661	7,596

7. Risks, contingencies and valuation judgements

Introduction

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

7.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of V/Line's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example statutory receivables arising from taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

V/Line classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms.

Structure

- 7.1 Financial instruments specific disclosures
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair value determination

Categories of financial assets

Financial assets at amortised cost

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

- the assets are held by V/Line to collect the contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

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

V/Line recognises the following assets in this category:

- cash and cash equivalents
- receivables (excluding statutory receivables).

Financial assets at fair value through Other comprehensive income

Financial assets are measured at fair value through Other comprehensive income if both the following criteria are met and the assets are not designated as fair value through Net result:

- the assets are held by V/Line to achieve its objective both by collecting the contractual cash flows and by selling the financial assets; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

These assets are initially recognised at fair value, with subsequent changes in fair value recognised in Other comprehensive income. Upon disposal, any related balance in the fair value reserve is reclassified to the net result.

V/Line does not hold any financial assets within this category.

Financial assets at fair value through Net result

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

In addition, V/Line may, at initial recognition, irrevocably designate financial assets as measured at fair value through Net result if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

V/Line classifies its derivative financial instruments as at fair value through Net result.

Categories of financial liabilities

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised on the date they originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the net results over the period of the interest bearing liability, using the effective interest rate method. V/Line recognises its contractual payables, deposits held, advances received and lease liabilities in this category.

Derivative financial instruments

Derivative financial instruments are classified as financial assets and liabilities at fair value through Net result. They are initially recognised at fair value on the date on which a derivative contract is entered into, with attributable transaction costs expensed as incurred. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Subsequently, any changes in the fair value are recognised in the Comprehensive operating statement as 'Other economic flows' included in the Net result.

In line with its documented risk management strategy, V/Line designates its derivative financial instruments as cash flow hedges and applies hedge accounting to these transactions (refer to Note 7.1.3 – Hedge accounting).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the Balance sheet when, and only when, V/Line has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Derecognition of financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- V/Line 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
- V/Line has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Derecognition of financial liabilities

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

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

Reclassification of financial instruments

Subsequent to initial recognition, reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through Net result, fair value through Other comprehensive income and amortised cost when, and only when, V/Line's business model for managing its financial assets has changed, such that its previous model would no longer apply. However, V/Line is generally unable to change its business model.

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

7.1.1 Financial instruments: categorisation

	Cash and deposits \$'000	Financial assets at amortised cost (AC) \$'000	Financial assets/liabilities measured at fair value through profit/loss (FVTPL) \$'000	Financial liabilities at amortised cost (AC) \$'000
2021				
Financial assets				
Cash and cash equivalents	48,032	–	–	–
Trade and other receivables	–	63,192	–	–
Hedge derivatives	–	–	6,097	–
Total financial assets	48,032	63,192	6,097	–
Financial liabilities				
Trade and other payables	–	–	–	108,107
Lease liabilities	–	–	–	68,508
Total financial liabilities	–	–	–	176,615
2020				
Financial assets				
Cash and cash equivalents	16,594	–	–	–
Trade and other receivables	–	38,162	–	–
Statutory receivables	–	1,495	–	–
Total financial assets	16,594	39,657	–	–
Financial liabilities				
Trade and other payables	–	–	–	80,955
Lease liabilities	–	–	–	52,716
Hedge derivatives	–	–	6,263	–
Total financial liabilities	–	–	6,263	133,671

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

	Interest income/ (expense) \$'000	Net holding gain/(loss) \$'000	Impairment loss \$'000	Total \$'000
2021				
Contractual financial assets				
Financial assets at amortised cost – other than on derecognition	89	–	(369)	(280)
Hedge derivatives	–	(4,558)	–	(4,558)
Total contractual financial assets	89	(4,558)	(369)	(4,838)
Contractual financial liabilities				
Financial liabilities at amortised cost	(1,923)	–	–	(1,923)
Total contractual financial liabilities	(1,923)	–	–	(1,923)
2020				
Contractual financial assets				
Financial assets at amortised cost – other than on derecognition	344	–	(40)	304
Total contractual financial assets	344	–	(40)	304
Contractual financial liabilities				
Financial liabilities at amortised cost	(1,095)	–	–	(1,095)
Hedge derivatives	–	(5,615)	–	(5,615)
Total contractual financial liabilities	(1,095)	(5,615)	–	(6,710)

The net gain/(loss) disclosed above has been determined as follows:

- for financial assets at amortised cost (consisting of cash and cash equivalents and receivables), the net gain/(loss) is calculated by taking the interest income earned during the year, minus any impairment recognised in the Net result
- for financial assets and liabilities that are designated at fair value through profit or loss including hedge derivatives, the net gain or loss is calculated by taking the realised movement in fair value of the financial asset or liability.
- for financial liabilities measured at amortised cost, the net gain/(loss) is calculated by taking the interest expense

7.1.3 Financial risk management objectives and policies

As a whole, V/Line's financial risk management program seeks to manage its financial risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.1 to the financial statements.

The main purpose in holding financial instruments is to prudently manage V/Line's financial risks within the government policy parameters.

The main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity risk. V/Line manages these financial risks in accordance with its financial risk management policy.

V/Line uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Audit, Finance and Risk Committee of V/Line (Audit and Risk Committee from 1 July 2021).

Credit risk

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

Credit risk associated with V/Line's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the government, it is V/Line's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements, where appropriate.

V/Line does not engage in hedging the credit risk related to its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and cash equivalents, which are mainly cash at bank. Similar to its policy for receivables, V/Line is to only deal with banks with high credit ratings.

Credit risk in trade receivables is also managed by enforcing disclosed payment terms and ensuring that debt collection policies and procedures are followed at all times.

Contractual financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off is classified as other economic flows included in the Net result.

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

The observed changes in credit risk ratings of counterparties in 2020-21 has not resulted in a material change to V/Line's assessment of credit risk.

Credit quality of financial assets	AAA Credit Rating	AA Credit Rating	Other (min BBB credit rating)	Other (unrated)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2021					
Financial assets with loss allowance measured at 12-month expected credit loss					
Cash and cash equivalents	–	–	48,032	–	48,032
Statutory receivables (no impairment loss recognised)	–	1,521	–	–	1,521
Hedge derivatives	–	6,097 ^(a)	–	–	6,097
Financial assets with loss allowance measured at lifetime expected credit loss					
Contractual receivables (applying the simplified approach for impairment)	–	46,798 ^(a)	–	16,394	63,192
Total financial assets	–	54,416	48,032	16,394	118,842
2020					
Financial assets with loss allowance measured at 12-month expected credit loss					
Cash and cash equivalents	16,594	–	–	–	16,594
Statutory receivables (no impairment loss recognised)	1,495	–	–	–	1,495
Financial assets with loss allowance measured at lifetime expected credit loss					
Contractual receivables (applying the simplified approach for impairment)	28,311 ^(a)	–	–	9,851	38,162
Total financial assets	46,400	–	–	9,851	56,251

(a) Denotes balances with the State Government of Victoria and its associated entities, which is subject to the long term credit ratings.

Impairment of financial assets

V/Line records the allowance for expected credit loss for the relevant financial instruments using the Expected credit loss approach. Subject to AASB 9, impairment assessment includes V/Line's cash and cash equivalents, contractual receivables and statutory receivables. Financial assets measured at fair value through Net result are not subject to impairment assessment under AASB 9. Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 5.2) are also subject to impairment assessment. No impairment loss has been recognised as these amounts relate to current project activity with government-related entities yet to be invoiced.

Contractual receivables at amortised cost

V/Line applied the AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. V/Line has grouped contractual receivables on shared credit risk characteristics and days past due and determined the expected credit loss rate based on V/Line's historical observed loss rates, which are adjusted to reflect existing market conditions and forward-looking estimates at the financial year end. On this basis, the closing allowance at the end of the financial year are as follows:

	Current	Less than 1 month	1-3 months	> 3 months	Total
2021					
Government-related contractual receivables					
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables (\$'000)	45,197	19	88	1,494	46,798
Loss allowance (\$'000)	–	–	–	–	–
Other contractual receivables					
Expected loss rate	0.0%	42.3%	0.0%	100.0%	
Gross carrying amount of contractual receivables (\$'000)	15,785	946	63	121	16,915
Loss allowance (\$'000)	–	400	–	121	521
2020					
Government-related contractual receivables					
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables (\$'000)	20,485	–	3,406	4,420	28,311
Loss allowance (\$'000)	–	–	–	–	–
Other contractual receivables					
Expected loss rate	0.0%	0.4%	0.4%	96.3%	
Gross carrying amount of contractual receivables (\$'000)	9,379	241	227	181	10,028
Loss allowance (\$'000)	–	1	1	175	177

A reconciliation of the movement in the loss allowance for contractual receivables is as follows:

	2021	2020
	\$'000	\$'000
Balance at the beginning of the year	(177)	(171)
Increase in the allowance recognised in the Net result	(369)	(40)
Reversal of allowance for receivables written off during the year as uncollectible	25	34
Balance at the end of the year	(521)	(177)

Credit loss allowance is classified as Other economic flows in the Net result. Contractual financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt is written off by mutual consent and is classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents and statutory receivables at amortised cost

V/Line's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Statutory receivables and cash and cash equivalents, consisting of bank deposits placed at call, are considered to have low credit risk, after taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As a result, the loss allowance recognised for these financial assets during the period is based on 12 months of expected losses. Consequently, it was assessed that no loss allowance was required.

Derivatives at fair value through Net result

V/Line is also exposed to credit risk in relation to hedging derivatives that are designated at fair value through Net result. In line with AASB 9, V/Line does not apply the impairment assessment requirements on these financial assets. As at 30 June 2021, all V/Line's hedging derivatives are held with TCV, which is the central financing authority of the Victorian State Government. Therefore they were assessed to be of low credit risk and no loss allowance was required.

Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. V/Line manages liquidity risk by closely monitoring forecast cash flows to ensure that adequate funding is maintained at all times.

DoT has agreed to provide adequate cash flow support via a Letter of Support to enable V/Line to meet its current and future operational obligations as and when they fall due for a period up to September 2022, should this be required. This assurance from DoT for financial support only applies while V/Line remains in full state ownership.

Refer to Note 5.3 for the maturity analysis of contractual financial liabilities and Note 6.2 for the maturity analysis of lease liabilities. These represent V/Line's maximum exposure to liquidity risk.

Market risk

V/Line's exposure to market risk is primarily through interest rate risk, commodity risk and foreign exchange risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Sensitivity disclosure analysis and assumptions

The sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

Cash and cash equivalents: the movement of 100 basis points up and down (2020: 100 basis points up and down) in market interest rates, would result in the Net result increasing/(decreasing) by \$480,320/(\$480,320) (2020: \$165,940/(\$165,940)).

Diesel fuel hedges: the movement of 10 per cent up and down in Gasoil 10PPM AUD per barrel would result in no change to the Net result as the diesel fuel hedges will still be considered effective. Other financial assets (representing the fair value of the fuel hedge derivatives) and the cash flow hedge reserve will increase/(decrease) by (\$2,649,581)/\$2,649,581 (2020: other financial liabilities would (decrease)/increase by (\$1,830,489)/\$1,830,489).

Foreign currency hedges: the movement of 15 per cent up and down in the AUD/USD or AUD/EUR exchange rates would result in no change in the Net result as the foreign currency hedges will still be considered effective. Other financial liabilities (representing the fair value of the foreign exchange hedge derivatives) and the cash flow hedge reserve will be affected as follows:

- a proportional movement in the AUD/USD forward mid-rate of 15 per cent up and down from the rates at year end would result in a (decrease)/increase in other financial assets of (\$225,385)/\$304,931 (2020: increase/(decrease) in other financial liabilities by \$669,912/(\$906,334))
- a proportional movement in the AUD/EUR forward mid-rate of 15 per cent up and down from the rates at year end would result in an (decrease)/increase in other financial assets of (\$171,512)/\$232,043 (2020: increase/(decrease) in other financial liabilities by \$517,246/(\$699,806)).

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. V/Line does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. V/Line has minimal exposure to cash flow interest rate risks through its cash and cash equivalents.

Management has concluded for cash at bank as financial assets that can be left at floating rate without necessarily exposing V/Line to significant risk. Accordingly, management monitors movements in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rate risk and VLine's sensitivity to interest rate risk are as follows:

	Weighted average interest rate	Carrying amount \$'000	Interest rate exposure		
			Fixed interest rate \$'000	Floating interest rate \$'000	Non-interest bearing \$'000
2021					
Financial assets					
Cash and cash equivalents	0.15%	48,032	–	48,032	–
Contractual trade and other receivables	n/a	63,192	–	–	63,192
Hedge derivatives	n/a	6,097	–	–	6,097
Total financial assets		117,321	–	48,032	69,289
Financial liabilities					
Contractual trade and other payables	n/a	108,107	–	–	108,107
Lease liabilities	2.98%	68,508	68,508	–	–
Total financial liabilities		176,615	68,508	–	108,107
2020					
Financial assets					
Cash and cash equivalents	0.97%	16,594	–	16,594	–
Contractual trade and other receivables	n/a	38,162	–	–	38,162
Statutory receivables	n/a	1,495	–	–	1,495
Total financial assets		56,251	–	16,594	39,657
Financial liabilities					
Contractual trade and other payables	n/a	80,955	–	–	80,955
Lease liabilities	3.00%	52,716	52,716	–	–
Hedge derivatives	n/a	6,263	–	–	6,263
Total financial liabilities		139,934	52,716	–	87,218

Commodity risk

Commodity risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices for commodities, largely due to demand and supply factors.

V/Line is exposed to commodity price risk in its operations. To reduce volatility and provide increased certainty over its diesel fuel exposure, V/Line has entered into diesel fuel swap contracts with TCV in order to hedge its exposure to the variability in cash flows attributable to this risk, which are associated with highly probable future transactions (diesel fuel purchases).

V/Line hedges 95 per cent of its forecast diesel usage. The diesel fuel hedges are classified as effective when changes in the value of the diesel fuel swap contracts are aligned with the movements in the diesel fuel price in the supply contract. Potential sources of hedge ineffectiveness may include mismatches in the component pricing in the underlying fuel supply contract.

As at 30 June 2021, V/Line has monthly diesel fuel hedges maturing until May 2022. The cash flow impact will be incurred in the month that the hedges mature. At the end of the reporting period, the details of outstanding diesel hedging contracts are as follows:

	Average fixed diesel fuel price cents per litre	Nominal Quantity '000 litres	Notional Principal \$'000	Carrying Amount – Fair Value \$'000
2021				
Less than 1 year	50.2	40,450	20,285	6,216
2020				
Less than 1 year	59.5	41,277	24,545	(6,225)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. V/Line does not hold any foreign currency monetary items nor is it exposed to transactions denominated in foreign currencies. However, V/Line is indirectly exposed to foreign currency risk through its fleet maintenance program, which includes a foreign currency adjustment component for movements in the AUD/USD and AUD/EUR exchange rates.

In order to manage this risk, V/Line has entered into a series of foreign currency forward contracts with TCV in order to hedge its forecasted exposure to foreign currency risk arising from its fleet maintenance program. The hedges are classified as effective when an economic relationship exists between the foreign currency forward contracts (hedging instrument) and the foreign currency risk inherent in the fleet maintenance program as a result of fluctuations in the AUD/USD and AUD/EUR exchange rates (risk being hedged). Sources of hedge ineffectiveness include mismatches in the forecasted maintenance costs against actual outcomes and basis differences in foreign exchange rates.

As at 30 June 2021, V/Line has foreign exchange forward contracts expiring until October 2021. The cash flow impact will be incurred in the month that the hedges mature. At the end of the reporting period, the details of outstanding forward contracts are as follows:

	Weighted average exchange rate	Notional Principal \$'000	Carrying Amount – Fair Value \$'000
2021			
Contracts denominated in USD			
Less than 1 year	0.7234	1,797	(69)
Contracts denominated in EUR			
Less than 1 year	0.6077	1,366	(51)
		3,163	(120)
2020			
Contracts denominated in USD			
Less than 1 year	0.6917	5,089	(47)
Contracts denominated in EUR			
Less than 1 year	0.6071	3,975	9
		9,064	(38)

V/Line is also exposed to the AUD/USD exchange rate fluctuations through its exposure to diesel fuel. The foreign currency risk on the diesel fuel purchases is mitigated through the diesel fuel hedges.

Hedge Accounting

V/Line uses diesel swap contracts and foreign currency forward contracts as cash flow hedges of its exposure to commodity risk and foreign currency risk respectively.

At the inception of the transaction, V/Line documents the economic relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the various hedge transactions. Assessments are made at both hedge inception and on an ongoing basis in order to ascertain whether the hedge meets the risk management objective.

Where a hedge is effective, changes in the fair value of the derivative hedge contracts are initially recognised in the Cash flow hedge reserve in equity, with the ineffective portion

of the change in fair value (if any) recognised directly in the Net result. In the period when the hedged expected future cash flow occurs and affects the Net result, V/Line reclassifies the cumulative amount in the Cash flow hedge reserve for the related hedge contract to Other economic flows included in the Net result. Where a hedging relationship ceases to meet the hedge effectiveness requirement relating to its pre-determined hedge ratio, but the risk management objective remains the same, V/Line rebalances the hedge ratio of the hedging relationship and continues with the hedge. Hedge accounting is discontinued only when the hedging relationship ceases to meet the hedge qualifying criteria, even after rebalancing, such as when the hedging contract is terminated.

The carrying amount (fair value) of the hedging contracts are recognised in the balance sheet in Other financial assets when the value is positive and Other financial liabilities when the value is negative.

Reconciliation of Cash flow hedge reserve	Diesel swap hedge contracts \$'000	Foreign exchange forward hedge contracts \$'000	Total \$'000
2021			
Opening balance	(4,358)	(26)	(4,384)
Revaluations to fair value, net of tax	4,654	(560)	4,094
Loss on settlement of hedge transferred to Net result – Other economic flows	4,056	502	4,558
Closing balance, net of tax	4,352	(84)	4,268
2020			
Opening balance	(721)	–	(721)
Revaluations to fair value, net of tax	(9,248)	(30)	(9,278)
Loss on settlement of hedge transferred to Net result – Other economic flows	5,611	4	5,615
Closing balance, net of tax	(4,358)	(26)	(4,384)

No amount was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.

V/Line did not reclassify any amount from the Cash flow hedge reserve in equity to the net result during the period due to its hedges being ineffective. There were no cash flow hedges that were rebalanced or discontinued during the period.

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, measured at nominal value. They are presented inclusive of GST receivable or payable respectively.

Contingent assets

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

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

As at 30 June 2021, V/Line had no material contingent assets.

Contingent liabilities

Contingent liabilities are:

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

As at 30 June 2021, V/Line's contingent liabilities are classified as non-quantifiable.

There have been minor claims made over time by customers and third parties arising out of incidents on V/Line's network. These claims are dealt with in the ordinary course of business and potential claims of above \$50,000 are referred to V/Line's insurers as the matters arise. V/Line's liability is limited to the insurance deductible amount.

V/Line's operations are subject to various environmental regulations under both Commonwealth and State laws. V/Line takes active steps to improve environmental management systems and ongoing internal procedures, to help discharge obligations under these laws. In 2020-21 V/Line investigated all potential environmental incidents associated with V/Line's activities and where necessary worked with state and federal environmental regulators to come to a resolution.

V/Line continues to deliver a Transition Action Plan to ensure ongoing compliance with the new Environment Protection Act and does not have any current Clean Up Notices or Pollution Abatement Notices issued by the Environment Protection Authority.

V/Line's Calculated Baseline under the Safeguard Mechanism has now expired, and V/Line will be required to apply for a new baseline or offset all Scope 1 emissions above 100,000 tonnes reported under the *National Greenhouse and Energy Reporting Act 2007*. With offsets costing an average of \$20 per tonne, this could result in costs in excess of \$500,000.

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

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

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

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through Net result
- non-financial physical assets.

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

V/Line determines the policies and procedures for determining the fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

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

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

For the purpose of fair value disclosures, V/Line has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

The VGV is V/Line's independent valuation agency. V/Line, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

7.3.1 Fair value determination of financial assets and liabilities

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

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

Financial assets and liabilities measured at amortised cost

The carrying amounts of the following financial assets and financial liabilities approximate their fair values due to their short-term nature or with the expectation that they will be paid in full by the end of the next reporting period:

Financial assets

Cash and cash equivalents
Trade and other payables

Financial liabilities

Trade and other receivables

The fair value of the following financial liabilities measured at amortised cost are different from the carrying amounts:

	2021		2020	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial liabilities				
Lease liabilities	68,508	69,623	52,716	53,866

Financial assets and liabilities measured at fair value

	Carrying amount \$'000	Fair value measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
2021				
Financial liabilities at fair value through net result				
Hedge derivatives	6,097	–	6,097	–
2020				
Financial liabilities at fair value through net result				
Hedge derivatives	6,263	–	6,263	–

There were no transfers between levels during the year. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale.

Valuation techniques and inputs used to measure level 2 fair values

	Valuation technique	Inputs used
Diesel fuel swap contracts	Income approach using discounted cash flow methodology	Forward curves for diesel commodity prices and AUD/USD exchange rates
Foreign exchange forward contracts	Income approach using discounted cash flow methodology	Forward yield curves for AUD/USD and AUD/EUR exchange rates

7.3.2 Fair value determination of non-financial physical assets

Fair value measurement hierarchy for assets	Carrying amount \$'000	Fair value measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
2021				
Rolling stock at fair value	93,207	–	–	93,207
Rolling stock – capitalised improvements at fair value	6,169	–	–	6,169
Plant and equipment at fair value	11,424	–	–	11,424
Leasehold improvements at fair value	4,044	–	–	4,044
2020				
Rolling stock at fair value	102,445	–	–	102,445
Rolling stock – capitalised improvements at fair value	–	–	–	–
Plant and equipment at fair value	10,000	–	–	10,000
Leasehold improvements at fair value	3,757	–	–	3,757

There have been no transfers between levels during the period.

V/Line's non-financial physical assets are mostly specialised in nature. As a not-for-profit entity, the future economic benefits of V/Line's non-financial physical assets are not primarily dependent on their ability to generate net cash inflows. As a result, the fair value of V/Line's non-financial physical assets has been determined by reference to the asset's current replacement cost, adjusted for the associated depreciation.

As depreciation adjustments are considered as significant, unobservable inputs in nature, it is considered that V/Line's non-financial physical assets would be categorised within Level 3 of the fair value hierarchy.

For plant and equipment and leasehold improvements, existing depreciated cost is generally a reasonable proxy for current replacement cost because of the short lives of the assets concerned.

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

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

For movement in carrying amount of assets please refer to section 4.1.

Description of significant unobservable inputs to Level 3 valuations

2021 and 2020	Valuation technique	Significant unobservable inputs
Rolling stock	Current replacement cost	Cost per unit Useful life of rolling stock
Rolling stock – capitalised improvements	Current replacement cost	Cost per improvement Useful life of capitalised improvement
Plant and equipment	Current replacement cost	Cost of improvement Useful life of plant and equipment
Leasehold improvements	Current replacement cost	Cost of improvement Shorter of the remaining term of the lease or the useful life of the improvement

Significant unobservable inputs have remained unchanged since June 2020.

8. Other disclosures

Introduction

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

Structure

- 8.1 Scope and presentation of financial statements
- 8.2 Not-for-profit
- 8.3 Going concern
- 8.4 Accounting for the GST
- 8.5 Responsible persons
- 8.6 Remuneration of executives
- 8.7 Remuneration of auditors
- 8.8 Equity
- 8.9 Related parties
- 8.10 Subsequent events
- 8.11 Dividends
- 8.12 Australian Accounting Standards issued that are not yet effective

8.1 Scope and presentation of financial statements

Comprehensive operating statement

The Comprehensive operating statement comprises three components, being 'Net result from transactions' (or termed as 'net operating balance'), 'Other economic flows included in net result', and 'Other economic flows – other comprehensive income'. The sum of the former two, together with the Income tax (expense)/benefit, represents the Net result.

The Net result is equivalent to profit or loss derived in accordance with AASs.

'Other economic flows' are changes to asset values arising from market re-measurements. They include:

- gains and losses from disposals of non-financial assets
- revaluations and impairments of non-financial physical and intangible assets
- fair value changes of financial instruments.

This classification is consistent with the whole of government reporting format and is in line with the requirements of AASB 101 *Presentation of Financial Statements*.

Balance sheet

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

Current and non-current assets and liabilities are disclosed in the notes to the financial statements, where relevant. In general, non-current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for the provisions for employee benefits, which are classified as current liabilities due to V/Line not having the unconditional right to defer the settlement of liabilities within 12 months after the end of the reporting period.

Cash flow statement

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

Statement of changes in equity

The Statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also separately shows changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

8.2 Not-for-profit

V/Line qualifies as a not-for-profit entity since the primary obligation of V/Line is the delivery of subsidised public transportation services to regional Victoria, which is consistent with FRD 108C *Classification of entities as for-profit*. V/Line has a Partnership Agreement with DoT which determines the services that V/Line provides, and the subsidy payments received for those services. Hence, V/Line's funding is based on achieving a small profit or loss before interest, depreciation and tax. Neither the mission nor corporate strategies of V/Line reflect achieving profit. V/Line has been deemed to have a not-for-profit status and accordingly those accounting standards applicable to not-for-profit entities have been applied.

8.3 Going concern

V/Line provides public transport services to rural and regional Victoria and is also responsible for the management and maintenance of the regional rail network it operates on. The provision of these services is subsidised by the State Government of Victoria. Without the provision of that subsidy V/Line could not continue as a going concern.

Each year V/Line undertakes normal budget processes that form part of the State Government of Victoria's forward budget estimates. This process provides funding for up to four years. Allocations are made through the State Government of Victoria's budget to enable V/Line to meet its output obligations under the Partnership Agreement with DoT, which is in place until 1 January 2023. Once the budget allocation is approved, the final funding available to V/Line is determined for that year. Funding for the year ending 30 June 2022 has been set under an approved budget allocation.

DoT formally agrees annually to provide adequate cash flow support to enable V/Line to meet its current and future operational obligations each year as and when they fall due. This support extends to September following the budgeted year of operation to ensure continuity of funding into the next budget period. This support is formalised via a Letter of Support from DoT. This assurance from DoT for financial support only applies while V/Line remains in full state ownership.

V/Line meets regularly with DoT to provide continual updates on performance, finalise any outstanding budget matters, and deal with any subsequent matters that may arise from the ongoing operations.

Notwithstanding the deficiency in net current assets of \$56.7 million (2020: \$88.3 million) and the uncertainty generated by the COVID-19 pandemic, this financial report has been prepared on a going concern basis as V/Line is financially subsidised by its ultimate parent entity, the State Government of Victoria, pursuant to a Partnership Agreement with DoT, which commenced on 1 January 2018.

Effective 1 July 2021, V/Line ceased to be a state business corporation under the State Owned Enterprises Act 1992 and continues as a statutory corporation under the Transport Integration Act 2010. All employees, assets, liabilities, rights and funding arrangements remain with V/Line as a statutory corporation. Accordingly, the determinants of V/Line continuing as a going concern are unaffected by this change and this financial report has been prepared on a going concern basis.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that may be necessary should V/Line not continue as a going concern.

8.4 Accounting for the GST

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the taxation authority are presented as an operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

8.5 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the FMA, the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of Ministers and Accountable Officer in V/Line are as follows:

Minister for Public Transport	The Hon. Ben Carroll, MP	01 July 2020 to 30 June 2021
Treasurer	Mr Tim Pallas, MP	01 July 2020 to 30 June 2021
Acting Chief Executive Officer	Mr Paul D'Alessio	31 May 2021 to 30 June 2021
Acting Chief Executive Officer	Mr Gary Liddle	27 August 2020 to 30 May 2021
Acting Chief Executive Officer	Mr Nicholas Foa	20 August 2020 to 26 August 2020
Chief Executive Officer	Mr James Pinder	01 July 2020 to 29 October 2020*

* Mr Pinder was suspended as Chief Executive Officer effective from 20 August 2020 when notified that he was the subject of an Independent Broad-based Anti-Corruption Commission (IBAC) investigation known as Operation Esperance into allegations of serious corrupt conduct. Mr Pinder's employment was terminated on 29 October 2020.

Remuneration

Remuneration received or receivable by the Accountable Officers in connection with the management of V/Line during the reporting period was in the range of \$630,000 – \$639,999 (2020: \$520,000 – \$529,999).

Amounts relating to the Ministers are reported in the financial statements of the Department of Parliamentary services.

8.6 Remuneration of executives

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Executives include members of the Executive Leadership Team (ELT) of V/Line and does not include directors of V/Line. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services. Executives receive free public transport throughout Victoria which is not included as remuneration in this note as it is not material in value.

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

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

Remuneration of executive officers (including key management personnel disclosed in Note 8.9)	2021	2020
	\$	\$
Short-term employee benefits	3,386,375	3,099,578
Post-employment benefits	263,090	250,489
Termination benefits	24,927	–
Total remuneration	3,674,392	3,350,067
Total number of executives ^(a)	11	10
Total annualised employee equivalent (AEE) ^(b)	10.6	10

(a) The total number of executive officers includes persons who meet the definition of key management personnel under AASB 124 *Related Party Disclosures* and are also reported within the related parties disclosure note (Note 8.9).

(b) Annualised employee equivalent is based on the time fraction worked during the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (generally five full working days per week).

8.7 Remuneration of auditors	2021	2020
	\$'000	\$'000
Victorian Auditor-General's Office		
Audit of the financial statements	98	98

8.8 Equity	2021	2020
	\$'000	\$'000
Accumulated deficit		
Balance at beginning of the year	(75,557)	(89,902)
Net result	20,512	14,345
Balance at end of the year	(55,045)	(75,557)
Physical asset revaluation surplus ⁽¹⁾		
Balance at beginning of the year	130,561	123,971
Revaluation increments	–	6,590
Balance at end of the year	130,561	130,561
Cash flow hedge reserve ⁽²⁾		
Balance at beginning of the year	(4,384)	(721)
Net (decrease)/increase in Cash flow hedge reserve	8,652	(3,663)
Balance at end of the year	4,268	(4,384)

(1) The physical assets revaluation surplus arises on the revaluation of the classic fleet rolling stock, net of income tax effect.

(2) The cash flow hedge reserve arises from recording the valuation of hedge transactions net of income tax effect.

8.9 Related parties

V/Line is a Victorian statutory authority and is a controlled entity of the State of Victoria.

Related parties of V/Line include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures, and entities they have significant influence over)

- all Cabinet Ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

During the year, V/Line had the following government-related entity transactions:

			2021	2020
Related party	Nature of transaction	Terms and conditions	\$'000	\$'000
Expenses				
Department of Transport	Call centre costs	In accordance with the Partnership Agreement	3,491	469
VicTrack	Provision of communication services	In accordance with agreement between the parties	16,969	17,261
Department of Environment, Land, Water and Planning	Valuation services, heritage applications and purchase of native vegetation credits	In accordance with agreement between the parties	24	40
Treasury Corporation Victoria	Provision of hedge transaction services	In accordance with agreement between the parties	50	58

			2021	2020
Related party	Nature of transaction	Terms and conditions	\$'000	\$'000
Revenue				
Department of Transport	Provision of funding to V/Line	In accordance with the Partnership Agreement	730,683	622,845
Department of Transport	myki/Ticket sales	In accordance with the Revenue Sharing agreement	21,393	54,360
Department of Transport	Reimbursement of project expenditure	In accordance with agreement between the parties	241,909	219,636
Department of Transport	Network access charges	In accordance with agreement between the parties	12	95
VicTrack	Reimbursement of project expenditure	In accordance with agreement between the parties	1,763	2,938
VicTrack	Network access charges	In accordance with agreement between the parties	57	–

Key management personnel (KMP) of V/Line include the Portfolio Minister, the Hon. Ben Carroll, MP and Treasurer, Mr Tim Pallas, MP, the Accountable Officers, Directors and members of the ELT.

The names of the Directors during the financial year were:

- Ms Gabrielle Bell – Chair (to 30 June 2021)
- Mr Craig Cook – Deputy Chair (to 7 September 2020)
- Ms Rachel Thomson (to 30 June 2021)
- Ms Elizabeth Roadley (to 12 March 2021)
- Mr Thomas Sargant (to 30 June 2021)
- Mr Kevin McLaine (to 31 May 2021)
- Mr Jamie Driscoll – Acting Director (from 25 May 2021 to 30 June 2021)
- Mr Nicholas Foa – Acting Director (from 25 May 2021 to 30 June 2021)

The names of the Executive Leadership Team members during the financial year were:

• Acting Chief Executive Officer	Paul D'Alessio	From 31 May 2021
• Acting Chief Executive Officer	Gary Liddle	27 August 2020 – 30 May 2021
• Acting Chief Executive Officer	Nicholas Foa	20 August 2020 – 26 August 2020
• Chief Executive Officer	James Pinder	1 July 2020 – 29 October 2020
• Chief Financial Officer	Albert Giorgini	Ongoing
• EGM Corporate Planning & Risk	Brendan Geary	Ongoing (On external secondment from 29 July 2020 – 1 February 2021)
• Acting EGM Corporate Planning & Risk	Marinela Boariu	29 July 2020 – 29 January 2021
• EGM Health, Safety & Environment	Dean Matthews	Ongoing
• EGM Program & Delivery	Colin Taylor	Ongoing
• EGM Asset Management	Alex Panayi	1 July 2020 – 18 June 2021
• Acting EGM Asset Management	James Hunter	From 21 June 2021
• EGM Operations	Paul D'Alessio	1 July 2020 – 30 May 2021
• Acting EGM Operations	Jonathan McKeown	From 31 May 2021
• EGM Corporate Affairs	Daniel Hoare	Ongoing
• EGM Network Development & Integration	Jonathan McKeown	1 July 2020 – 30 May 2021
• Acting EGM Network Development & Integration	Lisa Stolt	From 31 May 2021
• EGM People	Elaine Seckold	Ongoing
• EGM Corporate Governance	Rebecca Northeast	Ongoing
• Director – Transformation	Greg Forck	5 October 2020 – 9 April 2021
• Program Director – Transformation	Marinela Boariu	From 10 March 2021

Remuneration of KMPs

The compensation detailed below excludes the salaries and benefits the Portfolio Ministers and Treasurer receive. Their remuneration and allowances are set by the *Parliamentary Salaries, Allowances and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

Compensation of KMPs	2021	2020
	\$	\$
Short-term employee benefits	4,125,541	3,827,681
Post-employment benefits	324,413	298,144
Termination benefits	83,155	–
	4,533,109	4,125,825

Transactions and balances with KMPs and other related parties

Given the breadth and depth of state government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public, e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and the Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Purchasing Board requirements.

Outside of normal citizen type transactions with V/Line, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

8.10 Subsequent events

V/Line governance arrangements

V/Line was established as a statutory corporation in 2003 and continues under the Transport Integration Act 2010. On 14 October 2008, V/Line was declared a state business corporation pursuant to the State Owned Enterprises Act 1992. Effective 1 July 2021, V/Line ceased to be a state business corporation under the State Owned Enterprises Act 1992. Under the transport restructuring order, the Chief Executive Officer became the sole member of V/Line and the independent Board of Directors concluded. A new Audit and Risk Committee and Advisory Board will be established in 2021-22 to assist the Chief Executive Officer in the discharge of their duties.

Independent Broad-based Anti-corruption Commission (IBAC) – Operation Esperance

In the financial statements for the financial year ended 30 June 2020, V/Line disclosed as a subsequent event, that the Independent Broad-based Anti-corruption Commission (IBAC) had initiated an anti-corruption investigation into allegations of serious corrupt conduct in Victoria's public transport sector ('Operation Esperance'). The scope of the investigation included, but was not limited to, the transparency and integrity of procurement and tendering processes within the transport sector in Victoria, including the behaviour of

Public Officers, and the systems and controls concerning procurements and tendering for major contracts. During the first half of the 2020-21 financial year, V/Line's former Chief Executive Officer, Mr James Pinder, was stood down as a result of the IBAC investigation and his employment was terminated on 29 October 2020. IBAC hearings commenced on 26 October 2020 and continued into 2021 with second and third hearings commencing on 31 March 2021 and 8 July 2021 respectively. The IBAC investigation is ongoing, and V/Line expects that IBAC will release findings from the investigation and issue a report during the 2021-22 financial year.

V/Line has not become aware of any outcomes from the IBAC investigation that would affect the V/Line financial report for the year ended 30 June 2021. V/Line is satisfied that the ongoing investigation does not give rise to an adjusting event, and that the V/Line Corporation financial statements present fairly the financial transactions during the year ended 30 June 2021 and financial position of the Corporation at 30 June 2021.

COVID-19 pandemic

On 8 August 2021 Victoria entered into a sixth lockdown since the commencement of the COVID-19 pandemic, with this most recent lockdown following on from lockdown five which ran for twelve days between 16 July 2021 and 27 July 2021. In the financial year ended 30 June 2021, and as a result of the COVID-19 pandemic, the State Government provided financial support to V/Line for the impact on the Corporation's fare revenue. With the continuation of the pandemic, including as seen through recent lockdowns, the extent of the impact on the Corporation's fare revenue in the financial year ending 30 June 2022 is uncertain. V/Line continues to effectively manage its expenditure budget and to assist the Department of Transport in managing this financial risk.

There were no matters or circumstance not otherwise dealt with in the financial statements, which has the potential to significantly affect the operations of V/Line, the results of those operations or the state of affairs of V/Line in subsequent financial years.

8.11 Dividends

No dividends were paid, declared or recommended during the year or subsequent to the year end.

8.12 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2020-21 reporting period. These accounting standards have not been applied to V/Line's financial statements. V/Line is reviewing its existing accounting policies and assessing the potential implications of these accounting standards, which include:

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

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

V/Line is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on V/Line's reporting:

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

Disclosure Index

The annual report of V/Line is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of V/Line's compliance with statutory disclosure requirements

Standing Directions and Financial Reporting Directions		
Legislation	Requirement	Page
<i>Report of operations</i>		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	9
FRD 22H	Purpose, functions, powers and duties	4
FRD 8D	Departmental objectives, indicators and outputs	N/A
FRD 22H	Key initiatives and projects	16-27
FRD 22H	Nature and range of services provided	10
Management and structure		
FRD 22H	Organisational structure	32-33
Financial and other information		
FRD 8D	Performance against output performance measures	N/A
FRD 8D	Budget portfolio outcomes	N/A
FRD 10A	Disclosure index	144-147
FRD 12B	Disclosure of major contracts	N/A
FRD 15E	Executive officer disclosures	51-52, 136-137
FRD 22H	Employment and conduct principles	44
FRD 22H	Occupational health and safety policy	39-42
FRD 22H	Summary of the financial results for the year	29
FRD 22H	Significant changes in financial position during the year	29
FRD 22H	Major changes or factors affecting performance	29
FRD 22H	Subsequent events	141-142

FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	56
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	57
FRD 22H	Statement on National Competition Policy	57
FRD 22H	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	57-58
FRD 22H	Application and operation of the <i>Carers Recognition Act 2012</i>	58
FRD 22H	Details of consultancies over \$10,000	54
FRD 22H	Details of consultancies under \$10,000	54
FRD 22H	Disclosure of government advertising expenditure	54
FRD 22H	Disclosure of ICT expenditure	55
FRD 22H	Statement of availability of other information	66
FRD 24D	Reporting of office based environmental impacts	61
FRD 25D	Local Jobs First	54
FRD 29C	Workforce Data disclosures	48-52
SD 5.2	Specific requirements under Standing Direction 5.2	73

Compliance attestation and declaration

SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	67
SD 5.2.3	Declaration in report of operations	2

Standing Directions and Financial Reporting Directions		
Legislation	Requirement	Page
<i>Financial statements</i>		
Declaration		
SD 5.2.2	Declaration in financial statements	73
Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	81
SD 5.2.1(a)	Compliance with Standing Directions	73, 81
SD 5.2.1(b)	Compliance with Model Financial Report	N/A
Other disclosures as required by FRDs in notes to the financial statements^(a)		
FRD 9B	Departmental Disclosure of Administered Assets and Liabilities by Activity	N/A
FRD 11A	Disclosure of Ex gratia Expenses	N/A
FRD 13	Disclosure of Parliamentary Appropriations	N/A
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	136-137
FRD 103H	Non-Financial Physical Assets	93
FRD 110A	Cash Flow Statements	78, 108
FRD 112D	Defined Benefit Superannuation Obligations	89
FRD 114C	Financial Instruments – general government entities and public non-financial corporations	113-127

Note: (a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are in the nature of disclosure.

Legislation

<i>Freedom of Information Act 1982</i>	56
<i>Building Act 1993</i>	57
<i>Public Interest Disclosures Act 2012</i>	57
<i>Carers Recognition Act 2012</i>	58
<i>Disability Act 2006</i>	58
<i>Local Jobs Act 2003</i>	54
<i>Financial Management Act 1994</i>	81

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