ANNUAL REPORT 2015–16

V/Line

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ABOUT US

V/Line is Australia's largest regional public transport operator servicing the most passenger trips annually. In 2015-16 more than 17.6 million trips were taken on our trains and coaches.

Every week, there are more than 1700 train services linking Melbourne with:

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

More than 1250 V/Line-branded coach services also operate every week, connecting with the rail network and connecting regional Victorian communities where trains do not operate. Some V/Line coaches go to South Australia, New South Wales and the Australian Capital Territory. In addition to being a passenger service operator, V/Line also provides access to and maintains 3520 kilometres of rail track used by passenger and freight rail services.

V/Line is a major employer, with a workforce of 1654 most of whom live and work in regional Victoria.

About this annual report

This is the annual report of V/Line Corporation and its wholly owned subsidiary V/Line Pty Ltd (V/Line).

V/Line Corporation is governed by the *Transport Integration Act 2010* and the *State Owned Enterprises Act 1992*.

It operates as a not-for-profit corporation. V/Line Pty Ltd is incorporated under the *Corporations Act 2001*.

V/Line fulfils its contractual obligations under a services agreement with Public Transport Victoria (PTV).

V/Line is 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 2015 to 30 June 2016.

Vision

"We Connect"

Mission

To deliver customer-focused, safe and efficient regional passenger transport and rail freight access.

Values

- Safety underpins everything we do: safety is paramount
- Think customer: the customer is central to everything we do
- Act with integrity: we operate professionally and ethically
- Raise the bar: we strive to improve ourselves and our business
- Deliver as one V/Line: working as one team

V/LINE'S STRATEGIC PRIORITIES AND OBJECTIVES 2015-16:

Strategic Priorities	Strategic Objective
Customer Growth	Structure a regional transport model and fleet strategy that responds to growth and meets customer expectations
Connecting Communities	Position V/Line as crucial to 'connecting' regional and rural communities
Health Safety and Environment	'Destination Zero' • Zero rail and coach incidents • Zero harm to people • Zero damage to the environment
Customer Service	Continuously drive the customer-centric business model and leverage capability
Financial Management	Deliver optimum value and sustainable financial outcomes for Shareholders
Achieving Excellence	Build organisational capability and invest in our people to achieve exceptional performance

LETTER TO MINISTERS

13 September 2016

The Hon Jacinta Allan MP
Minister for Public Transport
Level 20, 1 Spring Street
Melbourne VIC 3000

and

The Hon Tim Pallas MP
Treasurer
Level 4, 1 Treasury Place
East Melbourne VIC 3002

Dear Ministers

I have much pleasure in presenting the Annual Report of V/Line Corporation (and its subsidiary V/Line Pty Ltd) (V/Line) for the period 1 July 2015 to 30 June 2016.

Yours faithfully

Jennifer Dawson
Chair

CHAIR'S REPORT

It is with great pleasure that I write my report after completing my first year as Chair of V/Line. V/Line has, and will continue to play, an important role in not only Victoria's transport network, but also the daily lives of regional communities. This year the Board was pleased to hold three of its meetings in regional locations, giving the Directors an opportunity to meet local stakeholders and staff. We will continue to meet in regional locations as part of our normal schedule of meetings.

In the past 12 months we have experienced significant challenges and successes in performing our role. Train services were reduced and some services were replaced by road coaches from January 2016 due to the dual issues of wheel wear on VLocity trains and the metropolitan network restriction. These affected both service delivery to our customers and our stakeholders' confidence in V/Line. We apologise to our passengers for the inconvenience we know this caused. Following these incidents, V/Line undertook a number of reviews and is implementing the recommended actions. A service restoration plan returned VLocity trains to service in several phases, with the final one delivered on 26 June 2016 when all services that had been replaced by road coaches were again operating as trains.

A number of our key achievements this year included the opening of the Regional Rail Link (RRL), a 30 per cent increase in weekday services, the delivery of significant infrastructure renewals, a continued reduction in the number of staff injured at work and in line with industry best practice, we had a decrease in the number of human factor SPADs (Signal Passed at Danger).

The Board was encouraged by the Government's announcement of significant investment for V/Line in the 2016-17 State Budget. This will provide funding for over 170 additional services in 2017, funding for 27 extra VLocity carriages and a range of programs for the short and medium term development of our network. The Regional Network Development Plan was also unveiled as a blueprint for the future. The plan guides the short, medium and long term priorities needed to modernise the network and provide increased services to our regional passengers.

In January 2016 Mr Theo Taifalos resigned as Chief Executive Officer (CEO). The Board is grateful for his contribution. Theo's leadership, passion and vision saw the business deliver improvements in safety and customer satisfaction at a time of unprecedented growth. In addition, Theo successfully introduced five new Directors to the organisation and we are grateful for his patience and guidance in that process.

Mr Gary Liddle has been serving as interim CEO and ensured continuity of leadership for our organisation. The Board is conducting a thorough search to ensure an appropriate CEO is chosen to lead the organisation into the future.

The V/Line Board remains committed to maintaining a strong focus on safety and customer service, alongside renewed emphasis on financial management, asset management and improving operational performance.

On behalf of the Board, we thank Theo Taifalos, Gary Liddle, the Executive Leadership Team and all staff for their dedication and efforts in a particularly challenging year.

Jennifer Dawson
Chair

CHIEF EXECUTIVE'S REPORT

Since joining V/Line as Chief Executive Officer on 29 January 2016, I have been committed to continuing V/Line's mission to deliver customer-focused, safe and efficient regional passenger transport and rail freight access. In 2015-16, V/Line provided 17.6 million train and coach customers trips, a 17.5 per cent increase from the previous year, while also experiencing a number of significant challenges and achievements.

Health Safety and Environment (HSE)

In 2015 we launched *Destination Zero* across the business as the overarching theme for the capture and management of Health Safety & Environment (HSE) issues. At the core of *Destination Zero* is its aspiration to achieve:

- Zero rail and coach incidents
- Zero harm to people
- Zero damage to the environment

The results of the program thus far are encouraging. HSE performance-tracking shows the Serious Injury Frequency Rate (SIFR) result, a key people-safety measure, was 29.9 against an annual forecast of 35. This represents a 10.5 per cent reduction on the 2014-15 result and a 37 per cent improvement over two years. At the same time, a key rail safety measure, the Signal Passed at Danger (SPAD) frequency rate (human factors and technical) was 3.7 against a forecast of 4.0 – a 28.8 per cent reduction on the 2014-15 result.

Service

Our customer service focus was put to the test over the past 12 months with the Regional Rail Link adding 30 per cent more weekday services and a 17.5 per cent surge in patronage.

In addition, from January this year, our train services were affected by higher than usual wheel wear on V/Locity trains and suburban network level crossing detection issue, which resulted in our services not running on the Eastern line during the first part of 2016.

A focus on operational performance and service restoration has been a priority. Since these events, the business has focused on delivering service stability and performance recovery across the network for customers. Initiatives such as the *Whistle blows, train goes* campaign have been rolled out to assist in meeting our punctuality targets.

I am particularly proud of our frontline staff members who put in so much extra effort during the months of disrupted services. Even with the many service changes causing disruption for our customers, our staff were recognised with their highest ever customer satisfaction rating (for the January-April quarter of 2016), as measured by Public Transport Victoria (PTV).

Financial performance

V/Line reported a $23.4 million loss after income tax for the year ended 30 June 2016. The major contributing factors were increased labour costs (predominantly due to increased services) and associated employee provision costs, reduction in other income, increased depreciation and amortisation, and derecognition of deferred tax assets. These were partially offset by reductions in fuel costs and access charges.

Milestones

The 2015-16 year saw the delivery of significant major infrastructure renewals. Our team completed $124 million worth of major periodic maintenance works and State Projects works. This included track repairs, sleeper replacement, repairs to bridges and level crossings, and public safety improvements at pedestrian and road crossings.

During the year in review, V/Line became the first public transport operator in the world to be awarded the Communication Access Symbol, an achievement which assists our goal of being accessible to all Victorians.

We also achieved re-certification against the International Customer Service Standard with an improved score of 6.33, compared with 5.20 the previous year.

V/Line staff

V/Line is a major employer with many of our staff living and working in regional Victoria. We have continued to develop and implement strategies to support a culture change program, with a focus on safety, customer service and working as one team. A key outcome during 2015-16 has been the implementation of strategic people initiatives that support this program.

I was pleased that V/Line's Customer staff were recognised with several awards for teams and individuals during the year.

The future

V/Line is grateful to the State Government for providing the funding to maintain and enhance our service levels. Among the initiatives that V/Line will support in 2016-17 are:

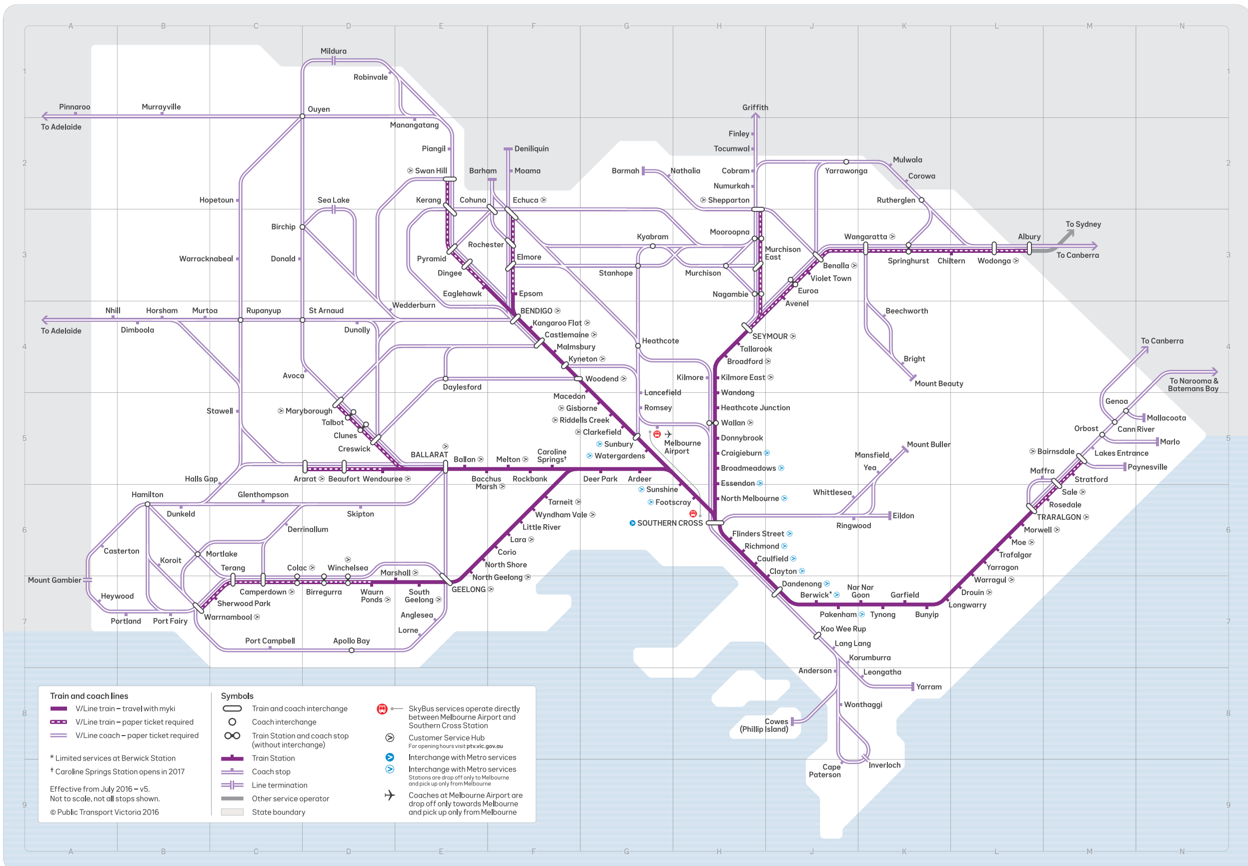
- Delivery of a further 27 VLocity carriages;
- 170 additional off-peak services to Ballarat, Bendigo, Geelong and Traralgon;
- Critical track and structures maintenance works;
- Station and car park works;
- Murray Basin Rail Project that will deliver an important upgrade to Victoria's rail freight network;
- Planning for the delivery of increased network capacity across both infrastructure and rolling stock.

Acknowledgement

I would like to thank the Board of V/Line, the Executive Leadership Team and all staff for their dedication to V/Line and for the support they have provided me since my appointment.

Gary Liddle
Chief Executive Officer

PASSENGER NETWORK MAP



Albury	L3
Anderson	J7
Anglesea	E7
Apollo Bay	D7
Ararat	D5
Ardeer	G5
Avenel	J4
Avoca	D4
Bacchus Marsh	F5
Bairnsdale	M5
Ballan	E5
Ballarat	E5
Barham	F2
Barmah	G2
Beaufort	D5
Beechworth	K4
Benalla	J3
Bendigo	F4
Berwick	J7
Birchip	C2
Birregurra	D7
Bright	K4
Broadford	H4
Broadmeadows	H5
Bunyip	K7
Camperdown	C7
Cann River	M5
Cape Paterson	J8
Casterton	B6
Castlemaine	F4
Caulfield	H6
Chiltern	K3
Clarkefield	G5
Clayton	J7
Clunes	D5
Cobram	H2
Cohuna	F2
Colac	D7
Corio	F6
Corowa	K2
Cowes (Phillip Island)	J8
Craigieburn	H5
Creswick	E5
Dandenong	J7
Daylesford	E4
Deer Park	G5
Deniliquin	F2
Derrinallum	D6
Dimboola	B4
Dingee	E3
Donald	C3
Donnybrook	H5
Drouin	L7
Dunkeld	B5
Dunolly	D4
Eaglehawk	E3
Echuca	F3
Elmore	F3
Epsom	F3
Essendon	H5
Euroa	J3
Finley	H2
Flinders Street	H6
Footscray	H6
Garfield	K7
Geelong	E6
Gisborne	G5
Glenthompson	C6
Halls Gap	B5
Hamilton	B6
Heathcote	G4
Heathcote Junction	H5
Heywood	A7
Hopetoun	C3
Horsham	B4
Inverloch	J8
Kangaroo Flat	F4
Kerang	E3
Kilmore East	H4
Koroit	B6
Korumburra	J7
Kyabram	G2
Kyneton	F4
Lakes Entrance	M5
Lancefield	G4
Lang Lang	J7
Lara	F6
Leongatha	J8
Little River	F6
Longwarry	K7
Lorne	E7
Macedon	G4
Maffra	L5
Malmsbury	F4
Manangatang	E1
Mansfield	K5
Marshall	E7
Maryborough	D5
Melton	F5
Mildura	C1
Moama	F2
Moe	L6
Mooroopna	H3
Mortlake	C6
Morwell	L6
Mount Beauty	K4
Mount Buller	K5
Mount Gambier	A7
Mulwala	J2
Murchison East	H3
Murrayville	B1
Murtoa	B4
Nagambie	H3
Nar Nar Goon	K7
Nathalia	G2
Nhill	A4
North Geelong	E6
North Melbourne	H6
North Shore	F6
Numurkah	H2
Orbost	M5
Ouyen	C1
Pakenham	J7
Paynesville	M5
Piangil	E2
Pinnaroo	A1
Port Campbell	C7
Port Fairy	B7
Portland	B7
Pyramid	E3
Richmond	H6
Riddells Creek	G5
Ringwood	J6
Robinvale	D1
Rochester	F3
Rockbank	F5
Rosedale	M6
Rupanyup	C4
Rutherglen	K2
Sale	M5
Sea Lake	D2
Seymour	H4
Shepparton	H3
Sherwood Park	C7
Skipton	D6
South Geelong	E7
Southern Cross	H6
Springhurst	K3
St Arnaud	D4
Stanhope	G3
Stawell	C4
Stratford	M5
Sunbury	G5
Sunshine	H6
Swan Hill	E2
Talbot	D5
Tallarook	H4
Tarneit	F6
Terang	C7
Tocumwal	H2
Trafalgar	L6
Traralgon	L6
Tynong	K7
Violet Town	J3
Wallan	H5
Wandong	H5
Wangaratta	K3
Warracknabeal	C3
Warragul	L6
Warrnambool	C7
Watergardens	G5
Waurn Ponds	D7
Wedderburn	E3
Wendouree	E5
Whittlesea	J6
Winchelsea	D7
Wodonga	L3
Wonthaggi	J8
Woodend	F4
Wyndham Vale	F6
Yarragon	L6
Yarram	K8
Yarrawonga	J2
Yea	K5

†Caroline Springs Station opens in 2017

FACTS AND FIGURES

	2015-16	2014-15
Total customer trips (rail and coach)	17,677,960	15,041,553
Rail passenger trips	16,271,628	13,631,486
Coach passenger trips	1,406,332	1,410,067
Tickets sold	1,984,215 (myki only available on commuter lines)	2,105,577 (myki only available on commuter lines)
Farebox revenue	$106.493 million	$101.233 million[1]
Farebox (% breakdown)	62% full fare	61% full fare
	38% concession	39% concession
Subsidy per passenger	$22.12	$22.35[1]

SAFETY

SIFR (Serious Injury Frequency Rate) = LTI (Lost Time Injury) and MTI (Medically Treated Injury) per million hours worked.	29.9	33.9[2]
Customer incidents within our control per million passengers – requiring medical assistance (excluding pre-existing)	1.4	1.5[3]
Signals passed at danger (SPAD) per million km (human factors)	1.5	2.1

FLEET

VLocity carriages	177	158
Locomotives	41	41
Loco-hauled carriages	133	133
Sprinters (single unit)	21	21

STATIONS

Total number of stations	90	90

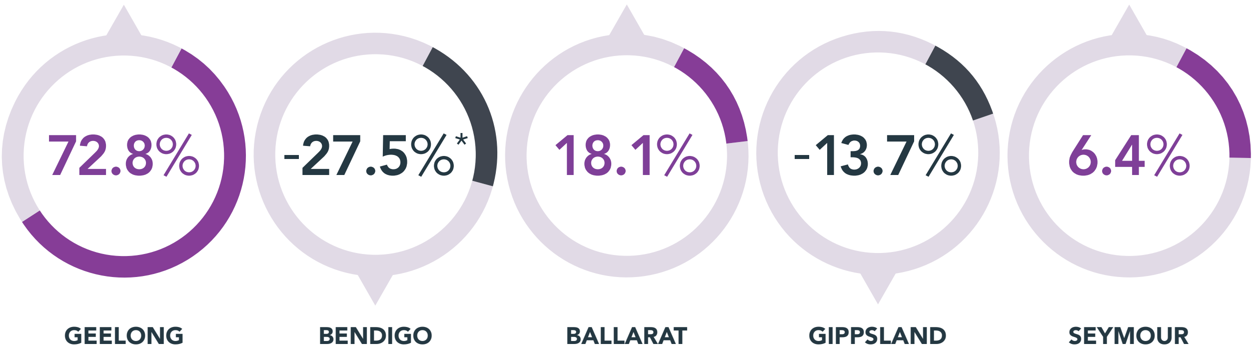
[1] Correction to 2014-15 Annual Report
[2] Incorrect figure (33.39 rather than 33.93) included in the 2014-15 Annual Report
[3] Level 4 first aid data not included in figure

	2015-16	2014-15
CUSTOMERS		
Overall customer satisfaction (PTV target is 68) – trains only	68.2	71.9
Customer satisfaction – coaches	77.5	77.1
Number of customer information enquiries	398,775	187,197
Number of customer feedback cases	16,965	11,783
Number of on-train consultation sessions with customers	12	10
Compulsory compensation paid to customers for V/Line not meeting on-time targets (complimentary ticket value)	$94,141	$39,038
EMPLOYEES		
Full-time (head count) staff	1541	1477
Total head count	1654	1586
SERVICE DELIVERY[4]		
Reliability overall (commuter and long-distance services, average monthly performance)	96.6	98.6
Reliability – commuter	96.3	98.6
Reliability – long-distance	98.3	98.7
Punctuality – commuter (on time to five minutes)	86.3	89.4
Punctuality – long-distance (on time to 10 minutes)	87.9	91.3
No. of services run – commuter	71,950	58,731
No. of services run – long-distance	12,815	12,923
FINANCE		
Total income	$675.1 million	$618.8 million
Total expenses	$702.3million	$621.9 million
Income tax benefits/(expenses)	$3.8 million	($1.0) million
Net result	($23.4) million	($2.1) million

[4] Performance is measured against timetabled services. Interim timetables were published to give customers more certainty when planning their journey. These interim timetables showed both train and coach replacements and that is what performance is measured on.

PATRONAGE

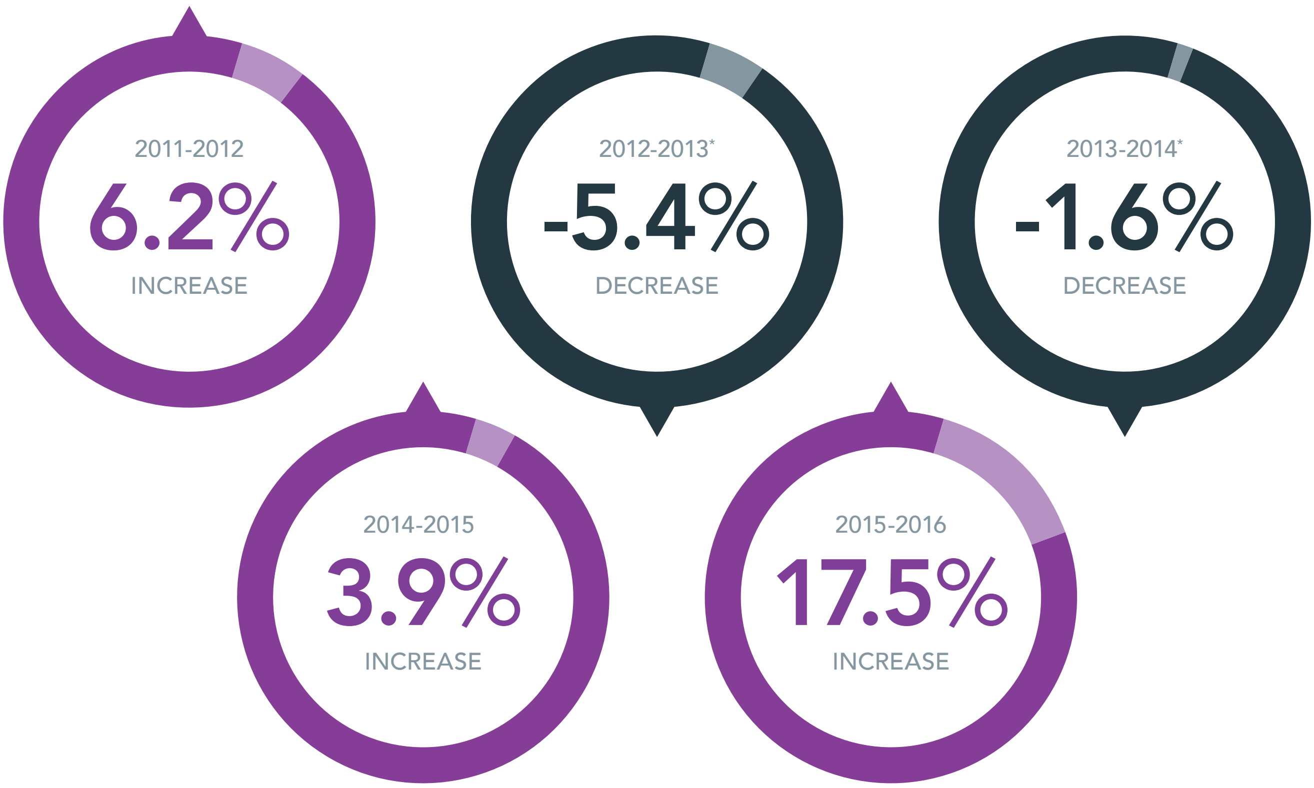
V/Line train passenger trips - percentage change 2011-12 to 2015-16



*Sunbury and Diggers Rest station customers transferred to Metro Trains as a result of Sunbury electrification in November 2012

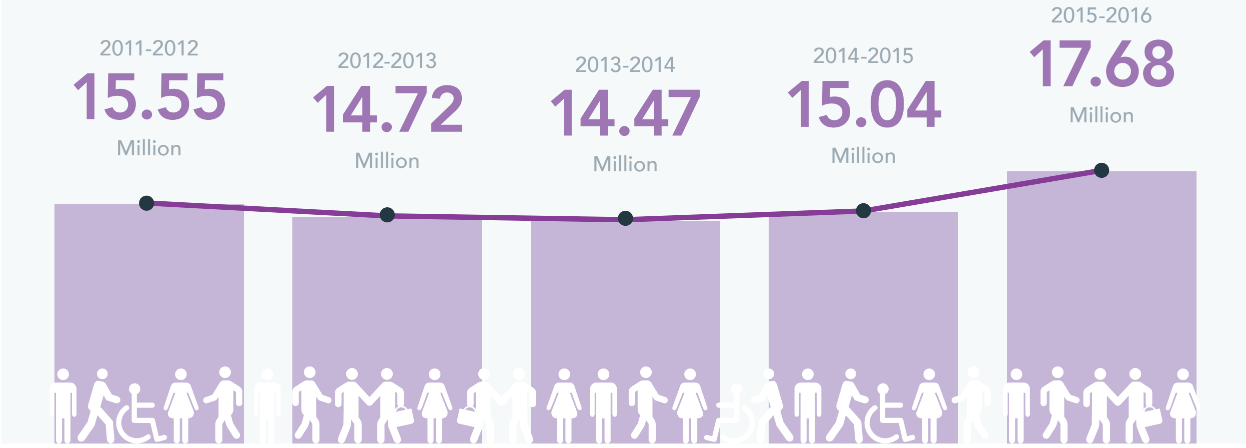
GEELONG	2011-2012	3.90 million
	2012-2013	3.89 million
	2013-2014	4.02 million
	2014-2015	4.24 million
	2015-2016	6.74 million
BENDIGO	2011-2012	3.45 million
	2012-2013	2.76 million
	2013-2014	2.35 million
	2014-2015	2.51 million
	2015-2016	2.50 million
BALLARAT	2011-2012	3.21 million
	2012-2013	3.28 million
	2013-2014	3.17 million
	2014-2015	3.36 million
	2015-2016	3.79 million
GIPPSLAND	2011-2012	2.04 million
	2012-2013	1.89 million
	2013-2014	2.00 million
	2014-2015	2.04 million
	2015-2016	1.76 million
SEYMOUR	2011-2012	1.40 million
	2012-2013	1.40 million
	2013-2014	1.46 million
	2014-2015	1.48 million
	2015-2016	1.49 million

V/Line train and coach passenger trips over five years



* There was a drop in V/Line patronage during construction of the Western Link, the RRL track between Southern Cross and Sunshine, with trains being replaced by coaches while some of the major works were underway.

TRAIN AND COACH PATRONAGE



HEALTH, SAFETY AND ENVIRONMENT

Safety

Destination Zero is our Health, Safety and Environment (HSE) change program which underpins our journey towards V/Line's aspiration of:

- Zero rail and coach incidents
- Zero harm to people
- Zero damage to the environment

As part of Destination Zero, V/Line has identified eight 'Lifesaver Principles' that focus on the risks that have the potential to cause serious injury, or death, in the workplace. They are:

- Driving safely
- Fit for work
- People interaction with mobile plant
- Safety processes and devices
- Working with suspended loads
- Licence to operate
- Working at height
- Accessing the rail corridor

Having identified the key focus areas, a review of existing processes and training has commenced. Lifesaver awareness and systems improvements in these areas will remain a high focus.

HSE engagement and communication initiatives completed under the Destination Zero program during the year included:

- "Check In" processes with frontline employees to drive engagement with HSE initiatives.
- Introduction of a hazard reporting system and re-launching the 'near hit/close call' reporting tool.
- Active promotion in the field of hazard reporting and mitigation to prevent injury and incident occurrence.
- Introduction of 'Talking HSE' information sheets designed to provide content for improved routine worksite toolbox safety sessions.
- 'Operational Awareness Training' program developed and a pilot session was held with representatives from across V/Line. This program is designed to train Rail Safety Workers on the non-technical skills essential for safe work and is commonly known in the rail industry as Rail Resource Management.
- An incident investigation training pilot for frontline supervisors, which is designed to assist supervisors and managers with effective data collection and analysis, and root cause identification. This will continue to be rolled out in 2016-17.
- Track Warrant safety improvement program for personnel working on track.
- Development of a suite of HSE lead indicators for monitoring and proactive management of key HSE related matters.
- Implementation of a monthly 'HSPE Update' communication which outlines key HSE events and promotions for the coming months.
- Lone (remote) worker safety system implementation, developed by the Security department, was trialled with the Warragul Signal and Communications work group. Planning has commenced to roll this out to the wider business in 2016-17.

Health and wellbeing

As part of Destination Zero, a health and wellbeing plan for staff was implemented.

The initiatives in 2015-16 included:

- A pilot health check program to provide individuals with personalised health information that may assist with reducing their risk of illness or disease.
- Reviewing required employee medicals in line with revised Rail Safety Legislation and codes.
- Auditing V/Line's medical providers to ensure compliance with national rail safety regulations.
- Introducing random alcohol and drug testing for all V/Line employees. At least 30 per cent of V/Line employees were subjected to random testing over the course of the year.
- Developing an online learning module on the effect and impact of alcohol and drugs on rail safety workers and the relevant V/Line policy and procedures.
- Providing the influenza vaccine for employees.

HSE indicator performance

The focus on Destination Zero and the assistance of in-field HSE advisers has seen improvements in the HSE performance indicators:

	2014-15				2015-16
Measure	Actual	Actual	Forecast	Variance	Better than forecast (%)
Staff Serious Injury Frequency Rate (SIFR)	33.9	29.9	35.0	5.1	14.5
SPAD Rate (Human Factors + Technical)	5.2	3.7	4.0	0.3	7.5

Number of hazards and incidents per 100 FTE employees

Hazard and incident reporting over the past 12 months has increased due to a focus on communicating the importance of reporting to prevent injury, and the launch of a revised reporting system.

Hazard reporting is an important component in identifying and addressing risks before they result in actual incidents.

Hazards reported:

	Per 100 FTE	Frequency rate
2015-16	99	0.06
2014-15	15	0.01

Incidents reported:

	Per 100 FTE	Frequency rate
2015-16	223	0.14
2014-15	181	0.12

These numbers are expected to further increase in 2016-17 with the implementation of integrated enterprise-wide incident and hazard reporting through the V/One system.

Sustainability and environment

V/Line operates an extensive rail network supported by 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 2015-16 V/Line continued to implement environmental improvements, with significant reductions in fuel and paper consumption across the business. Wheel wear issues and the commencement of services on the Regional Rail Link both influenced energy and water use, most notably affecting targets based on passenger kilometres.

To further reduce and manage pollution and contamination across the network, V/Line has implemented engineering systems for monitoring the integrity of underground fuel tanks.

Minimising the impact of V/Line's activities on protected vegetation and wildlife in the rail reserve remains a priority.

Our environmental performance is guided by an ISO14001 Environmental Management System which was successfully audited in early 2015. In line with Financial Reporting Direction 24C issued by the Department of Treasury and Finance, V/Line monitors and records its consumption of energy, water, paper and transport, as well as its output of waste and greenhouse gas emissions at its office-based operations. The results for 2015-16 are described below.

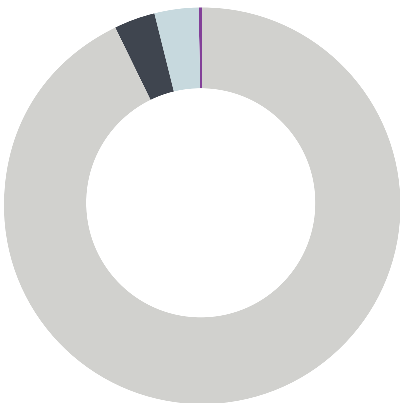
Energy use and greenhouse gas emissions

The running of trains is the primary source of energy consumption at V/Line, with train fuel use accounting for over 1.5 billion megajoules which is approximately 93 per cent of our energy consumption. Other sources of energy consumption are our vehicle fleet, and the use of electricity and gas at V/Line sites. Electricity is used for internal and external lighting, heating, air conditioning and running office and plant equipment.

Energy consumption

V/Line's energy data and associated greenhouse gas emission data is only reliably available from 2010-11. V/Line's target was to maintain energy use per passenger kilometre at or below the 2010-11 baseline. In 2015-16, energy consumption decreased by 28.9 per cent per passenger kilometer when compared against 2010-11 usage, and 30.1 per cent against the 2014-15 usage. This significant decrease is largely the result of increased passenger numbers since the opening of the RRL.

The 2014-15 and 2010-11 figures for electricity use have been adjusted from previously reported figures due to improved data accuracy. Disruption due to wheel wear issues significantly reduced train fuel consumption in the latter half of 2015-16.



Indicator	2015-16	2014-15	2010-11 (baseline year)
Total energy use (GJ)	1,560,826	1,378,630	1,156,176
Percentage of electricity purchased as Green Power	0.01%	0.17%	2.35%
Greenhouse gas emissions associated with energy use (tCO_2-e)	123,537	109,511	97,897
Energy use / passenger kilometre (MJ / pass km)	0.91	1.30	1.28
Percentage change in energy use / passenger kilometre	30.1% decrease from 2014-15 28.9% decrease from 2010-11		

Head office electricity consumption

V/Line is encouraged to report on head office electricity consumption. This electricity is used for lighting and running office equipment. Due to the variant nature of V/Line operations, data is not currently available separately for all office-based activities. In March 2013, staff moved to a new head office location with improved environmental performance.

Indicator	2015-16	2014-15	2010-11 (baseline year)
Electricity use / FTE (GJ/FTE)	3.30	3.53	7.24
Electricity use / m2 (GJ/m2)	0.28	0.27	Unknown

Waste

V/Line produces a variety of waste types ranging from household waste and office waste to used sleepers, ballast, soil and train parts. A waste audit at head office determined that over 80 per cent of waste materials were recycled.

The waste audit was done before the introduction of green waste recycling.

To reduce the amount of waste sent to landfill, V/Line has:

- Encouraged staff members to reduce the amount of waste produced and use correct recycling practices.
- Implemented a four-stream recycling system at head office, including general waste, paper and cardboard recycling, green waste recycling, and general recycling, and expansion of the scope of plastic types that can be recycled.
- Reassessed the placement of bins across the floor at head office to improve the quality of the waste streams.
- Introduced services for the recycling of printer cartridges, batteries and other waste electrical equipment throughout the office.

Paper

V/Line recognises that paper use is an important environmental issue, and has maintained paper consumption data from 2008-09 onwards. Paper use per Full Time Equivalent (FTE) in 2015-16 decreased across the organisation by almost 54 per cent and at head office by 46 per cent against the 2008-09 baseline. Between 2014-15 and 2015-16 the drop in paper use was 22 per cent across V/Line and 13.2 per cent at head office.

Paper data for the whole organisation is included below.

Indicator	2015-16	2014-15	2008-09 (baseline year)
Total paper use (reams)	6,952	8,574	8,560
Paper use / FTE (reams / FTE)	4.32	5.55	9.36
Percentage change in paper use / FTE	22.3% decrease from 2014-15 53.9% decrease from 2008-09		
Percentage of paper purchased with a recycled content above 50%	88.1%	93.3%	22.6%

Note - 2014-15 and 2008-09 data for paper consumption have been adjusted from previously reported figures due to improved data accuracy. V/Line has moved to reporting of paper use on a whole of company basis.

Initiatives

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

- Paper purchased at head office is 100 per cent recycled where possible.
- A printer monitoring system has been implemented, to allow paper and ink consumption to be monitored, in addition to current data on paper purchased.
- A swipe card system has been implemented, which reduces unnecessary printing.
- Information regarding paper reduction is included in sustainability communications.

Water

Water is consumed at V/Line sites for many purposes including maintenance works, the washing of trains, kitchens and bathrooms, 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 V/Line has maintained data back to a 2010-11 baseline.

Available water data has been used to extrapolate annual consumption for 2015-16. Water consumption per passenger kilometre decreased by 36.1 per cent against 2014-15.

Indicator	2015-16	2014-15	2010-11 (baseline year)
Total water use (kL)	94,781	91,618*	65,856
Water use/passenger kilometre (L/1000 pass km)	55.05	86.12	67.23
Percentage change in water use/passenger kilometre	36.1% decrease from 2014-15 18.1% decrease from 2010-11		

** Adjusted from 2014-15 Annual Report, due to improved data accuracy*

Transport

As a state-wide transport operator, V/Line requires its staff to travel throughout Victoria. Employees are directed, 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 when replacement is required.

The following information on energy used by vehicles covers all V/Line operations. V/Line does not monitor air travel and associated offsets, or how employees commute to work. V/Line has maintained data back to a 2009-10 baseline, and only separates vehicles by fuel type.

Indicator	2015-16	2014-15	2009-10
Energy use (GJ)			
Diesel	52,049	43,056[1]	27,176
Petrol	819	1,097[1]	5,287
LPG	0	0	30
Total	52,868	44,153	32,492
Greenhouse gas emissions from vehicle fleet (tCO_2-e)	3,695	2,829	2,269
Diesel	3,638	2,759	1,900
Petrol	57	70	368
LPG	0	0	2
Energy use (GJ)/FTE	33	26	34
Percentage change in energy use per FTE	25.2% increase from 2014-15 4.2%[2] decrease from 2009-10		

[1] *Adjusted from 2014-15 Annual Report, due to improved data accuracy*
[2] *Figure calculated using non-rounded data*

Environmental regulation and performance

V/Line's operations are subject to various environmental regulations under both Commonwealth and State Laws. It maintains and takes active steps to improve its environmental management systems and internal procedures to help discharge its obligations under these laws. In 2015-16 there were two incidents of alleged vegetation disturbance, with V/Line managing remediation of the sites.

A Clean Up Notice was issued in June 2015 under section 62A of the *Environment Protection Act 1970 (Vic)* relating to legacy contamination at Ararat. This notice replaces the original notice issued in 2008. V/Line has completed a review of the clean up plan for the site, and this notice has been revoked. A new notice in relation to the implementation of the clean up plan was issued in July 2016.

CUSTOMERS

Over the past 12 months the Western Link, the Regional Rail Link track between Southern Cross and Sunshine, enabled 30 per cent more weekday services and a 17.5 per cent surge in patronage. In addition, two new stations opened at Wyndham Vale and Tarneit in June 2015.

Frontline staff continued to be professional and provided excellent service to get people to their destinations, which attracted much positive feedback from customers throughout the year.

When train services were curtailed due to the dual issues of wheel wear and level crossing detection, there was a range of extra work to keep customers informed about temporary timetables and service changes as well as compensation arrangements when trains were replaced by road coaches.

Throughout the year, our frontline staff demonstrated the value of the recent investment in their training and development.

V/Line's strong presence within the Victorian community was further highlighted through various partnerships and initiatives as well as the numerous awards won by staff throughout the year.

For our stakeholders, we publish the bi-monthly *Horizon* newsletter and introduced a regime of regular briefings from V/Line executives including the CEO and Regional Managers.

Patronage growth

In 2015-16, V/Line served 17.68 million train and coach customer trips.

This is 17.5 per cent more than the 15.04 million customer trips served during 2014-15.

The overall increase can be attributed to the opening of the Regional Rail Link which generated enormous growth, particularly on the Geelong corridor. Boosted by the Tarneit and Wyndham Vale catchments, this corridor has seen an additional 2.4 million trips - an increase of 57 per cent on last financial year.

Patronage has increased on two other corridors with Ballarat up by 11.8 per cent and Seymour by 0.4 per cent.

Other corridors recorded a slight decrease with Bendigo down one per cent and Gippsland down 9.6 per cent. The wheel wear and level crossing detection issues were responsible for a loss in patronage of around 600,000 trips (three per cent).

Customer satisfaction

V/Line's overall customer satisfaction rating on average for 2015-16 was 67.5, compared with 71.3 for 2014-15, a decrease of four per cent.

The score, as measured by PTV, was affected significantly by the dual issues of wheel wear on VLocity trains and the Metropolitan Trains Melbourne (MTM) network restriction.

On a positive note, the January-April quarter of 2016 delivered V/Line's highest ever CSM rating for customer satisfaction with staff.

Customer service strategy

The V/Line Customer Charter is the cornerstone of V/Line's customer service strategy to enhance passenger and freight services.

Developed from research into the drivers of customer satisfaction, the Customer Charter is measured and then published for staff and customers each month.

- **Safety and security** - has consistently been ahead of our target of 78.0. For the October-December quarter, a score of 82.0 was the highest result since the introduction of the Customer Satisfaction Monitor. The average of 79.8 for this measure this year compares favourably with last year's 79.3.
- **Reliability** - the percentage of services delivered has tracked ahead of target (96.0 per cent) for the entire year, averaging 96.6 per cent. On-time running did not meet the target of 92.0 per cent, with a high of 89.2 per cent in November 2015.
- **Comfort** - is based on two measures: satisfaction with design and comfort, and satisfaction with cleanliness. Design and comfort has averaged 76.3 for this year, in line with the result of 76.3 for the same period last year. Satisfaction with cleanliness has averaged 79.0 this year, ahead of the target of 78.5, and in line with last year's average of 79.0.
- **Helpfulness** – has been tracking ahead of the target of 85.3 for the year. The average of 87.0 is well above the average of 85.9 for the same period last year. The score of 87.5 for the January to March 2016 quarter is the highest result since the introduction of the Customer Satisfaction Monitor.
- **Information** – this year the average notice to customers of planned disruptions was 15 days, against a target of 14 days. This target was met across 10 of the 12 months.

Customer satisfaction dashboards help all areas of V/Line to see how they are tracking and where they need to focus their efforts.

The refreshed Customer Charter improvement program gives frontline staff the opportunity to present and implement ideas to enhance the customer experience.

Customer feedback and consultation

V/Line actively encourages feedback from our customers. All formal feedback is recorded and tracked in line with Australian Standards and the requirements of the Services Agreement with PTV.

In 2015-16, feedback levels increased significantly due to the surge in patronage with the full activation of the Regional Rail Link and the issues experienced by customers during the wheel wear period.

As a result, the number of feedback cases was 16,965, up 44 per cent from last year's 11,783. A total of 74 per cent of feedback cases were closed within 10 days, which was the same rate as 2014-15.

The PTV call centre took 398,775 calls relating to V/Line for the year. These calls ranged from timetable enquiries to lost property, train and coach reservations and ticketing enquiries to complaints, compliments and general comments from customers and the community.

Following on from last year's innovation of bi-monthly Meet the Managers sessions at Southern Cross Station, the first bi-monthly regional sessions have been held. A summary of issues raised during the Meet the Managers sessions is published on our website.

Customers are eligible for compensation (a complimentary ticket) when train performance targets are not met and may also be compensated when they experience a delay of 60 minutes or more.

This year, the combined value of customer compensation (discretionary and compulsory) was $116,178.73, compared with last year's total of $55,167.21. This increase was largely due to the impact on services caused by the dual issues of wheel wear on VLocity trains and the metropolitan network restriction.

To make the compensation process simpler, customers can now apply for monthly performance compensation online through our website.

Customer communication

V/Line customers consistently tell us that information about both planned and unplanned disruptions is crucial to their satisfaction with our services.

Customers responding to a survey about disruption communications told us they prefer to receive information about disruptions is from V/Line staff. To support this we have worked to improve the quality and speed of communications to our frontline customer service team.

During the year Passenger Information Display (PID) screens were progressively installed at 40 stations around the network. These systems play automated announcements of service changes and update arrival times in real-time.

Other channels used to communicate with customers include:

- posters at stations
- flyers
- V/Line and PTV websites
- digital screens at 43 staffed stations
- advertising in local newspapers
- announcements on trains and at stations
- SMS and emails to customers subscribed to our *Inform* service
- social media

During unplanned disruptions, customers are kept informed via the *V/Line* app, Twitter, SMS and emails, as well as announcements on board and at stations. Staff members have been provided with an enhanced 'Train Tracker' app to help them provide timely information to customers. Innovations as part of this Train Tracker update are paving the way for future enhancements to customer information.

Digital communications channels

V/Line uses a range of digital and social media platforms to engage in conversation with customers. Customer Communications Officers provide information on disruptions to staff and customers via SMS and email. During the year they sent 7296 messages to staff and 6072 messages to customers.

In 2015-16, staff responded to approximately 7700 social media queries, improving the average response time from 139 minutes in 2014-15 to 80 minutes. The percentage of queries that get a response within 30 minutes improved from 68 per cent to 81 per cent.

As customers begin to turn to online feedback for a quicker response we had a significant increase in followers. Our corporate and five rail line-specific Twitter accounts now have a combined 24,244 followers (up 40.3 per cent from the previous year).

Our Facebook page, which is used to communicate planned disruptions, promote services, provide important travel news and answer customer enquiries, now has 27,430 followers – up 24.5 per cent.

The strong performance of both channels, significantly outpacing the rate of growth in the previous financial year, has been assisted by the dedication of Customer Communications Officers to improving the speed of responses.

The opening of V/Line's Integrated Operations Centre will provide further opportunities to enhance the service provided to customers. The structure of the team will be reviewed to ensure that we can continue to meet demand as the rate of inbound messages continues to rise sharply.

The mobile app was downloaded to 26,194 devices during the year, compared with 27,375 in 2014-15.

The V/Line website had a total of 5.03 million visits, compared with 4.15 million the previous year.

Accessibility Action Plan

Our 2015-18 Accessibility Action Plan (AAP) builds on the achievements of the 2012-15 plan. During 2015-16 significant progress has been made in the implementation of the AAP.

Achievements during the year included:

- Accreditation with the Communication Access Symbol on our trains and at our stations making V/Line the first public transport organisation in the world to achieve this certification, along with the PTV call centre and hubs.
- Achievement of AA compliance with Web Content Accessibility Guidelines (WCAG 2.0).
- Establishment of a Customer Accessibility Reference Group.
- Introduction of a quarterly Accessibility Update newsletter for V/Line customers and stakeholders.
- 'Try Before You Ride' events were held in Bendigo and Ballarat as well as two events with Metro Trains and Yarra Trams in Melbourne.
- Our third annual Community Accessibility Forum with customers, advocates and industry partners.
- The rollout of the Boarding Assistance Zone on V/Line platforms for customers who may need assistance to board the train.
- A partnership with the OzHelp Foundation to present on mental health during Rail R U OK? Day.
- A customer trial in December 2015 of different handrail options for VLocity entry doors.
- A review of the amount and location of priority seating on V/Line trains.
- Regular consultation and meetings with accessibility advocacy groups and participation in state and national accessibility committees.

Community outreach

During 2015-16 our community outreach activities continued to support regional communities.

Through our partnership with the Beacon Foundation, we provided 12 work-readiness sessions across country Victoria. V/Line employees were actively involved in these sessions which focus on providing young people with essential work-seeking and life skills.

V/Line continues to partner with Travellers Aid through contributions to its essential volunteer programs, the Emergency Relief and Pathways to Education programs as well as the buggy service at Seymour Station. This year Travellers Aid celebrated 100 years of service and we congratulate them on this significant milestone.

Our long term partnership with the Doxa Youth Foundation enabled hundreds of primary and secondary school students to travel by train to camps in Melbourne and Malmsbury. We supported the Doxa Cadetship program by sponsoring a cadet from Mildura within the Asset Management team.

Our partnership with AFL Victoria Country reached all parts of the state through the successful V/Line Umpire Academies and the V/Line Cup. The success stories from the Umpire Academies include a female umpire securing a position on the VFL Umpiring Panel Development Squad. A total of 10 of the 2016 AFL draft picks had played in the V/Line Cup, demonstrating the ongoing success of the competition.

The 2015 V/Line Cup was held in September in the Latrobe Valley for the first time. The event generated an estimated $2.1 million in economic benefit to the region.

The Stationeers program in partnership with Keep Australia Beautiful continued to support beautification activities at our stations. We thank the dedicated volunteers who take such a pride in their contribution to their communities.

Customer experience

During 2015-16 our Customer Experience initiatives focused on a range of projects intended to improve our customers' travel experience.

Station staff and conductors completed *Mary Gober* customer service training to enhance their effectiveness as ambassadors for V/Line.

Projects included the development of customer experience standards, mapping the customer experience during a standard service and disruptions, new uniform design, station way-finding improvements, and provision of customer information during four timetable changes.

To inform customers of the importance of on-time departures, we created the quirky *Whistle blows, train goes* campaign.

We have also developed a second phase of the *People Moving People* campaign ready for launch later in 2016.

During the year in review, V/Line was re-certified against the International Customer Service Standard (ICSS: 2010-14) with a score of 6.33, an improvement on the score of 5.20 the previous year.

Partnerships

Following a shift in V/Line's marketing strategy to a more customer-centric focus in 2014-15, the Customer Experience Team continued to maintain and create strong partnerships with event and attraction organisers across the state.

In 2015-16 V/Line partnered with more than 40 new events and attractions accessible via the V/Line network.

Co-branded campaign partners included The Art Gallery of Ballarat, Bendigo Art Gallery and Melbourne Museum. Other campaigns encouraged travel with V/Line to country racing events and AFL matches.

Industry awards

V/Line's Customer function has been recognised with several awards for teams and individuals during the year in review.

Customer Service Institute of Australia Awards 2015

- Customer Service Team of the Year (VIC)
- Chief Customer Officer of the Year (VIC)
- Customer Service Leader of the Year (VIC)
- Customer Service Professional of the Year (VIC)
- Customer Service Manager of the Year (VIC)
- Chief Customer Officer of the Year (National) – Highly commended
- Customer Service Manager of the Year (National) – Highly commended

Australian Marketing Institute Awards 2015

- Internal Communications – National finalist for *We're all ears* campaign to promote participation in the staff engagement survey.

Campaigns with a media spend more than $100,000

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

OUR PEOPLE

V/Line has continued to develop and implement strategies to support a three-year business and culture change program. The focus has been on continuing to develop and maintain a culture with an emphasis on safety, leadership, customer and working as one team. A key outcome during 2015-16 has been embedding of strategic people initiatives that support cultural change.

Major achievements for the strategic people initiatives included:

Creating and maintaining a high performance culture

- New e-learning programs to continue transitioning the business to the blended learning framework. This includes the development of Contract Management and Alcohol & Other Drugs Management modules.
- As part of the refreshed training program, an induction program has been developed for new supervisors and managers. It incorporates modules on management, including absenteeism, appropriate workplace behaviour and performance.

Building an engaged workforce

- Supported the development of functional engagement plans to address key issues identified in the June 2015 employee engagement and alignment survey.
- Developed and rolled out "People Moving People – Coach the Coach" program to build the coaching and mentoring capabilities of our frontline supervisors and managers.

Building a fit-for-future continuous improvement organisation

- Embedded the new V/One system, which incorporated new human resources modules for e-recruitment, employee data, medicals and performance.
- Facilitated the recruitment and training of approximately 70 new V/Line employees.
- Developed and facilitated six regional "Planning for the Future" forums.
- Facilitated and supported restructures in Health, Safety, People and Environment, Service Delivery and Asset Management.
- Extension of V/Line's Registered Training Organisation accreditation to include Certificate IV in Network Control and Heritage Train Driver units of competency.

Developing our leaders for the future

- Expanded the scope of the V/Line Leaders Program to include all leadership levels from senior to frontline. There are currently 200 participants enrolled in the program.

Building a diverse talent pipeline

- Continued to develop a workforce plan, with specific initiatives designed to foster a balanced working environment where equal opportunity and diversity are valued.
- Continued the sponsorship of engineering undergraduates through the DOXA cadetship program and other vocational programs.

Employment and conduct principals

- V/Line is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably, on the basis of the key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections.
- All staff have access to the Personal/Carers Leave procedure that supports, and is in line with, the *Carers Recognition Act 2012*.

EMPLOYEE SNAPSHOT

	Ongoing Employees				Fixed term and casual
	Number (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	FTE
2016	1654	1541	113	1610.7	79.0
2015	1586	1477	109	1544.3	93.3

	Jun-16			**Jun-15**		
	Ongoing		Fixed term and casual	Ongoing		Fixed term and casual
	Number (Headcount)	FTE	FTE	Number (Headcount)	FTE	FTE
Gender						
Male	1386	1358.1	62.2	1344	1316.4	65.4
Female	268	252.6	16.8	242	227.9	27.9
Age						
Under 25	32	31.4	3.4	32	31.7	4
25-34	267	264.3	8.0	240	237	15
35-44	346	339.2	20.7	320	313	23.1
45-54	475	470.9	25.4	506	502.2	28.4
55-64	466	443.2	17.7	428	406.4	19.7
Over 64	68	61.7	3.8	60	54	3.1

	Jun-16			Jun-15		
	Ongoing		Fixed term and casual	Ongoing		Fixed term and casual
	Number (Headcount)	FTE	FTE	Number (Headcount)	FTE	FTE
Classification - Skill Group						
Executive	7	7	7	8	8	7
Station Staff	296	286.9	2.7	277	268.8	2.7
Conductors	237	235.2	4	244	242.5	8
Train Drivers	393	371.2	0	384	364	0.5
Authorised Officers	12	12	0	7	7	0
Infrastructure Maintenance	169	169	6	163	163	4
Signals & Comms	74	74	2	73	73	0
Train Controllers	59	59	0	55	55	0
Network Services	109	107.8	4.1	113	110	4.1
Other Staff	298	288.6	53.2	262	253	67

LOST TIME CLAIMS

Year	Number of timeloss standard claims	Headcount	per 100 staff	Average cost per claim
2013-14	29	1428.7	2.03	$24,819.16
2014-15	27	1544.3	1.75	$23,112.75
2015-16	24	1610.7	1.49	$49,471.22

The increase in average claim cost for 2015-16 financial year is due to two claims capped at the maximum $363,400.

SERVICE DELIVERY

V/Line operated a total of 84,765 train services and 65,104 coach services in 2015-16. The total included 12,815 long-distance train services and 71,950 commuter line train services.

This represented a combined increase of 18.3 per cent on the previous year and was largely due to the opening of the Regional Rail Link infrastructure in June 2015, which included two new stations on the Geelong line and an increase in service frequency.

The Bendigo Metro timetable was delivered in June 2016 along with service adjustments to improve the performance of the RRL timetable introduced in June 2015.

Performance

During 2016 a performance improvement plan developed collaboratively across the Customer Relay functions was initiated to deliver a target of 92 per cent punctuality. This assisted the service recovery following the wheel wear and Metro Trains Melbourne (MTM) level crossing detection issues experienced in early 2016.

During the restoration period, the Service Delivery team demonstrated a high level of skill and dedication in detailed and tactical planning, driver flexibility and agility in day-of-operations management to operate maximum rail services and ensure wheels were replaced within planned timeframes.

On 26 June 2016 the timetable was fully restored with an improvement in punctuality towards the target of 92 per cent.

Under V/Line's Services Agreement with PTV, the Total Performance Measure (TPM) was not met. The TPM threshold for 2015-16 was 88 per cent with a target of 90 per cent. V/Line achieved 76.7 per cent, which was 7.7 per cent below the previous year and 11.3 per cent below the threshold, due to the impact of the RRL timetable implementation, and subsequently the dual issues of wheel wear on VLocity trains and the MTM network restriction. V/Line submitted a management plan to PTV based on the Performance Improvement Plan.

Reliability of commuter services was 96.3 per cent, exceeding the 96 per cent target set by PTV although down from 98.6 per cent the previous year. Reliability of long-distance trains was 98.3 per cent, slightly down from 98.7 per cent for the previous year.

Punctuality of commuter services was 86.3 per cent, down from 89.4 per cent the previous year. On-time performance of long-distance trains was 87.9 per cent, compared with 91.3 per cent in 2014-15.

Service planning

Performance improvement will continue to be a key focus during 2016-17 with the introduction of 170 new services and the opening of Caroline Springs Station. Announced in the 2016 May State budget, the timetable to implement the new services will be delivered through a major project.

The planning team will also be engaged in the future operational design and modelling in preparation for the Next Generation Regional Trains state project.

Rail modelling capability has been developed in 2016 with the full V/Line network available in the Railsys Program model in 2016-2017.

A plan called 'Beat the Heat' designed to address all aspects of summer preparedness was reviewed in 2015 in order to deliver an improved outcome for customers. The effects of heat on the network requires trains to travel at reduced speeds when temperatures rise over 36 degrees Celsius, impacting our on-time service for customers. In previous years the heat speed restrictions were published up to four days in advance and were fixed, regardless of any changed weather conditions.

An agile approach meant advice to customers of heat speed restrictions was provided on the day. This approach was well received by customers.

Network operations

The centralisation of all train control systems to 628 Bourke Street Melbourne was completed in June 2016. This project commenced in 2011, with the aim to enhance signalling and train control across the V/Line network. The project delivered a Centralised Traffic Control (CTC) and a Train Control System (TCS) to interurban locations. The benefits included savings in FTE across the life of the project and improved safety operation and communications.

An Integrated Operations Centre was set up to improve operational performance and customer communications. The full benefits will be delivered during 2016-17 including timely and effective outcomes for our customers and root cause analysis of incidents that cause delays.

Safely accessing the rail network is a priority for V/Line and is critical to effective emergency and planned maintenance. Service Delivery will work with Asset Management and Safety in 2016-17 to deliver greater protection for our staff and contractors and align our processes to national rules.

During 2016-17 Service Delivery will also work closely with Asset Management and Information Technology to review train operations and control systems to enhance efficiency and safety.

Train services

A new driver management structure, implemented in 2015-16, brought the driver-to-manager ratio in line with other Australian passenger railways. It has enabled greater focus in areas such as professional driver training, management of safe-working incidents such as SPADs, and initiatives in local depots. The implementation of a train wash at Geelong has dramatically improved fleet cleanliness.

Workforce planning and the recruitment of drivers has been tightly managed over the years. With additional services being introduced in 2017 and delivery of additional trains as the network continues to grow, we have initiated a recruitment campaign for drivers to provide a pipeline for drivers in years to come.

The Enterprise Agreement negotiated through 2016 includes a number of initiatives that will benefit operational efficiency.

A SPAD reduction strategy introduced in 2015 continued along with a National SPAD Conference held in Melbourne in March 2016. This was jointly hosted by V/Line and MTM with support from PTV.

Security and emergency management

New arrangements for Victorian Critical Infrastructure under Part 7A of the *Emergency Management Act 2013* were successfully implemented before the due date of July 2015. The requirements and the statement of assurance were submitted to the Minister's delegate as prescribed.

The Annual Crisis and Emergency Management compliance exercise took place in October 2015. An excellent report was received from Victoria Police and DEDJTR who were active in the exercise and were also observers along with PTV and members of the V/Line Board. Following the exercise debrief, an Improvement Action Plan was put in place and continues to be implemented throughout 2016-17. The plan includes joint crisis leadership training with MTM.

The government initiative Night Coach was successfully introduced in January 2016. Input and expertise provided from V/Line Security has resulted in zero incidents to date on the late night coach services which have now been extended beyond the initial trial period.

Predictive analysis for incident reporting has been successful in trialling police patrols in high frequency areas for trespassing or anti-social behaviour. The initiative, which is in the early stages of development, works closely with Victoria Police to provide support, based on intelligence. This underpins V/Line's zero tolerance approach that aims to provide a safe environment for our customers and frontline staff.

A strategy is being developed to focus on the safety of customers and staff at stations and on trains, along with protection of assets, including new stabling facilities for additional fleet. This is particularly important with the future growth of the network, an increase in patronage and requirements for improved use of technology.

Strategic projects

In 2016 a new strategic project manager was recruited to lead critical systems projects including the Rail Information Operations System. It will provide a single source of truth and a platform for the interface of currently disparate systems. In addition, the rostering tool HASTUS will be used initially for short term planning and to bring a new technology approach to the creation of rosters.

ASSET MANAGEMENT

Fleet

The State Budget announcement of 27 extra VLocity carriages in addition to the previous order of 21 will be a welcome boost to the V/Line fleet as patronage growth continues. The 21 extra carriages are expected to be in service by September 2017.

The delivery of 43 carriages has allowed us to complete the conversion of the VLocity fleet to a uniform three-car configuration, totalling 59 sets.

The VLocity units travelled an average 155,082 kilometres between faults during 2015-16 compared with 145,333[1] kilometres between faults in 2014-15. This represents a seven per cent reliability improvement.

The overall availability (including maintenance and operational issues) of VLocity carriages during scheduled service periods, otherwise known as average availability, was 87.2 per cent against a target of 91.2 per cent (the percentage of fleet required to meet timetable requirements). This 87.2 per cent availability was down from 89 per cent in 2014-15 due to the impact of the wheel wear issue.

This year, Sprinters travelled an average of 40,066 kilometres between faults against a target of 30,259 kilometres. This is consistent with 2014-2015 (40,943 kilometres). The average availability of Sprinters improved to 90.3 per cent against the target of 84.3 per cent. This increase from 87.1 per cent availability in 2014-15, was due to a change in the maintenance regime.

Carriage performance also improved, with vehicles travelling an average of 170,921 kilometres between faults against a target of 130,000 kilometres. The result is up nine per cent compared with 157,148 kilometres in the previous year.

Average carriage availability of 81.4 per cent, against the target of 86.1 per cent was down from 83.3 per cent the previous year. This is due to carriages being out for condition as part of our whole-of-life asset management planning.

Locomotives travelled an average of 27,049 kilometres between faults, against a target of 29,962 kilometres, compared with 30,755 kilometres in 2014-15. This represents a 12.5 per cent decrease. Further initiatives have been developed to sustain locomotive reliability. Average availability was 82.1 per cent, against a target of 80.5 per cent, compared with 80.3 per cent in the previous year.

During the year we completed our fleet asset management network model. This enables us to match our asset requirements to any proposed operational changes.

Scoping work has also commenced on the Next Generation Regional Trains Project.

At the same time, a complete assessment of our classic fleet has identified the condition and resources required to ensure its reliability until it is replaced by the next generation trains.

[1] 2014-15 figures reported in this Annual Report differ to the figures reported in the 2014-15 Annual Report as the measurement basis has changed.

Infrastructure

V/Line has experienced significant changes in its business over the past few years. The new timetable introduced on 21 June 2015 resulted in a 30 per cent increase in weekday services. This required a significant increase in asset utilisation and reliability. An Asset Condition and Criticality Review Index (ACCRI) was completed and this risk management process has helped determine the priorities for V/Line's network assets. This included detailed asset condition assessments, a review of each asset's criticality to business and a whole-of-life asset management analysis.

The new V/One system (Oracle JDE) was successfully implemented on 1 July 2015, on time and on budget. V/Line is now able to better track both inspection and maintenance costs which will enable more accurate budgeting for coming years. The asset condition data enables us to review the allocation of resources, based on actual maintenance requirements. Our field crews use tablets and a mobility app to upload data as inspections and works are completed.

The 2015-16 year saw the delivery of significant infrastructure renewals. A total of $97 million worth of major periodic maintenance and project works included track repairs, sleeper replacement, repairs to bridges and level crossings and public safety improvements at pedestrian and road crossings.

The Murray Basin Rail Project will upgrade Victoria's rail freight network between Geelong and Mildura to meet increasing demand for rail freight services. Funding for the entire program of works has been approved, with the Victorian Government providing up to $220 million for Stages 1 and 2, and the Commonwealth Government approving funding of up to $220 million for Stages 3 and 4.

The project involves standardising and upgrading the 1132 kilometres of rail track including converting track gauge from broad (1600 mm) to standard (1435 mm) and increasing the allowable train axle loading from 19 tonne to 21 tonne, as well as reopening the Maryborough to Ararat corridor. V/Line has completed $40 million of sleeper renewal and upgrade works in the Murray Basin, which will contribute to the full project.

Based on the foundations of good practice asset management, V/Line has now accomplished the following milestones:

- Significant reduction in Serious Injury Frequency Rate (SIFR) for the Asset Management Department from 48.2 in June 2013 to 12.92 in June 2016.
- Setting up a planning and scheduling team to ensure the most effective and efficient use of our resources and track closures.
- For significant delays there is now a root cause analysis conducted and recorded in the V/One system.
- This year has seen the lowest level of Temporary Speed Restrictions across the network in over a decade alongside an increase in infrastructure inspection regimes.

Victorian rail network map

MELBOURNE METRO AREA

LEGEND

Passenger and freight services (V/Line broad gauge)

Passenger and freight services (ARTC standard gauge)

Freight only (V/Line broad gauge)

Freight only (V/Line standard gauge)

ARTC (standard gauge) including dual gauge
North Geelong – Gheringhap and Geelong grain loop

Metro Trains Melbourne (broad gauge)

Victorian Rail Track Corporation (VicTrack)

FINANCIAL SUMMARY

V/Line reported a $23.4 million loss after income tax for the year ended 30 June 2016. The major contributing factors were increased employee provision costs ($6.9 million), reduction in other income ($7.3 million), increased depreciation and amortisation ($4.3 million), and derecognition of deferred tax assets ($4.6 million).

The reductions in diesel fuel expense of $4.9 million compared favourably to the previous year, mainly due to lower fuel prices, and access charges of $4.3 million have helped to offset the full impact of the increases identified above.

Total revenue increased by $56.3 million to $675.1 million (2015: $618.8 million). A significant contributor to this increase was the funding received to enable V/Line to meet the costs arising from the 30 per cent more weekday services with the introduction of the Regional Rail Link and funding to address the VLocity train wheel wear issue.

In addition, farebox revenue rose $5.3 million due to average fare increases in January 2016 (4.0 per cent) and increased patronage following the introduction of Regional Rail Link.

A number of operational issues resulting in interrupted or cancelled services have affected the financial performance of V/Line over the past year. The key issue was the wheel wear which meant V/Line was unable to run normal services.

The net cash flow from operating activities was $11.3 million (2015: $27.3 million), with a net decrease in cash of $6.4 million (2015: net increase $12.3 million).

Maintenance costs of the VLocity fleet, the locomotive fleet and the Sprinter fleet increased by $15.5 million over the period due to the introduction of new VLocity carriages and the impact of wheel wear costs. The additional cost of the wheel wear issue was fully funded.

Details of consultants over $10,000

NON-PROJECT RELATED

Consultants	Purpose of consultancy	Total approved project fee (excluding GST) $'000	Expenditure 2015-16 (excluding GST) $'000	Future expenditure (excluding GST) $'000
Advisian	Project management services	1,079	638	441
RSM Bird Cameron	Internal audit and risk management services	465	341	124
C.C Kelly & J Yang	Financial consultancy services	456	359	97
Ernst & Young	Tax advice	328	128	200
Barrington Centre Pty Ltd	Employee assistance program and training	293	293	
Vossloh Cogifer Australia Pty	Engineering design services	224	56	168
Franklin Athanasellis Cullen	Employment lawyers EA negotiations	206	99	107
Tranzys Pty Ltd	Service delivery operational systems	193	169	24
Willis Australia Pty Ltd	Workers compensation services	170	170	
Human Synergistics Australia	Frontline leaders program LSI debriefs	116	116	
M21 Advisory	Operational structure and capability review	67	67	
RMIT University	Development of training materials. Cert II and III in rail customer service training	55	45	10
DLA Piper Australia	Legal Advice	54	15	39
Mercer Australia	Review of remuneration arrangements	52	52	
UXC Consulting Pty Ltd	Consultancy services	39	25	14
Interface Rail Engineering	Professional engineering services	39	39	
Wes Gordon Consulting	Training services	31	31	
Partners in Performance International	Initiative program review and implementation	28	28	0
Envoy Advanced Technologies Pty Ltd	ICT strategy advice	25	25	0
TTG Transportation Technology Pty Limited	Consulting services	25	25	
Link Consulting Group Pty Ltd	Consultancy services	24	19	5
Dept Environment, Land, Water	Valuation of rolling stock	23	23	
Australian Investigation Consultants Pty Ltd	Investigation services	21	21	
Foresight Management Group Pty	Executive coaching program	14	14	
Arcadis Australia Pacific Pty	Professional design and consultancy services	13	13	
TOTAL		**4,040**	**2,811**	**1,229**

Below $10,000	nil	nil	nil

PROJECT RELATED

Consultants	Purpose of Consultancy	Total approved project fee (excluding GST) $'000	Expenditure 2015-16 (excluding GST) $'000	Future expenditure (excluding GST) $'000
Oracle Corporation Australia Pty Ltd	ERP implementation V1	2,200	2,200	-
Clicks IT Recruitment Pty Ltd	V1 consulting	1,464	1,181	283
Interface Rail Engineering	Professional engineering services	1,372	1,163	209
Bombardier Rail Signalling Services Pty Ltd	Level crossing upgrade services	871	820	51
Worley Parsons	Professional engineering services	727	415	312
Advisian	Project management and professional engineering services	690	690	0
Aurora Management Consultancies P/L	Project management services V1	606	364	242
Opus International Consultants P/L and (Australia) Pty Ltd	Professional engineering services	464	413	51
UXC Consulting Pty Ltd	Project consulting services	390	108	282
Rail Control Systems Australia	Project consulting services and design consultants	365	331	34
Asset Future Pty Ltd	Audit and assessment of network assets	283	263	20
Sterling Group Consultants	Inspect, survey and design services	264	231	33
Nuttall Engineering Consultants	Engineering services	216	216	-
Boleh Consulting Pty Ltd and (Australia) Pty Ltd	Professional engineering services	147	72	75
Infracorr Consulting Pty Ltd	Professional engineering services	107	107	0
Mott MacDonald Pty Ltd	Engineering design services	86	61	25
Interface Rail Engineering	Professional engineering services	39	39	
McKenzie Group Consulting Pty Ltd	Professional engineering services	27	19	8
Parsons Brinckerhoff Australia Pty Ltd	Track sequencing alarm and feasibility study	27	27	-
Simmons Rail Consultants	Professional engineering services	22	22	0
Conservation Consultants Pty Ltd	Architectural design services	20	20	
Titan ICT Consultants Pty Ltd	Radio line type approval assessment	16	11	5
Clayton UTZ	Legal advice	15	15	-
TOTAL		**10,418**	**8,788**	**1,630**

Details of ICT Expenditure 2015-16

Business as usual ICT expenditure	Operational expenditure	Capital expenditure
$14,481,971	$7,760,540	$6,721,430

V/Line did not incur non-business as usual ICT expenditure during the reporting period.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (DURING THE PERIOD 1 JULY 2015 TO 30 JUNE 2016)

Jennifer Dawson – Chair

Appointed 1 July 2015.

Jenny joined V/Line after 13 years working for the Victorian and Federal governments on regional development committees. She was the inaugural Chair of the RDA committee for the Loddon Mallee region since it was formed in October 2009 by the Federal and State governments. Her role was complemented by her membership on the Victorian Government's Regional Policy Advisory Committee until 2014.

Jenny is the Chair of Sandhurst Trustees Limited (a subsidiary of Bendigo and Adelaide Bank) and the Bendigo Art Gallery Foundation, as well as a Trustee for the Anglican Diocese of Bendigo and an Independent Chair of the Goulburn Murray Water Corporation Audit Committee.

Jenny recently retired after 15 years as a Non-Executive Director from the ASX listed Bendigo and Adelaide Bank Ltd, where she chaired the Audit Committee for most of this time. She was the bank's representative on its joint venture initiative, Community Sector Bank, which provides banking services to the community sector.

Prior to her appointment as a company director, Jenny worked for 10 years at international accounting firm Arthur Andersen in the Audit and Risk Management division.

Jenny holds a Bachelor of Accounting degree. She is a Fellow of the Institute of Chartered Accountants and member of the Australian Institute of Company Directors.

Craig Cook – Deputy Chair

Appointed 1 July 2015.

Craig currently is Chair of the Port of Hastings Development Authority and holds the position of director of VicSuper and VicSuper Ecosystem Services. He has expertise in governance and risk management and expertise in regional development issues.

Craig has 15 years of experience in both government and publicly listed boards including the boards of Goulburn-Murray Water, Rural Finance Corporation and VicSuper. He holds a Bachelor of Economics degree from Monash University.

David Harris – Director

Appointed 3 December 2013.

David lives in Western Victoria and is an experienced director, chairman and board member across government, community and commercial industries. He has a long history of active participation in the local community.

David is a former G21 Director, a 25 year member of Rotary International and a Fellow of the Australian Institute of Company Directors. He was recently a Director of Barwon Water Board and Chair of its Audit and Risk Committee.

Gabrielle Bell – Director

Appointed 1 July 2015.

Gabrielle is a corporate lawyer with broad experience working in Australia and South East Asia. She is an experienced non-executive Director and is also currently serving on the boards of South East Water and InLife Independent Living Ltd.

Gabrielle specialises in general corporate advisory, including corporate governance, mergers and acquisitions and capital markets. She holds a Bachelor of Laws and Bachelor of Engineering (Chemical) and is a graduate of the Australian Institute of Company Directors.

Kay Macaulay – Director

Appointed 1 July 2015.

Kay worked for the Australian Industry Group for 28 years in various roles including Regional Manager. She was responsible for working with local businesses, educational institutions and government to ensure a collaborative approach to the delivery of projects.

Kay has extensive experience in community and stakeholder engagement and has developed strong networks with many organisations. Kay is a former member of the Central Highlands Area Consultative Committee and the University of Ballarat (Federation University) Council. She also sat on the inaugural Grampians Regional Development Australia committee. She has been a member of Rotary International through the Rotary Club of Wendouree Breakfast for 15 years.

John Donovan – Director

Appointed 1 July 2015.

John is the Managing Director of AFM Investment Partners, a member of Trustee Australia's managed funds compliance committee, a responsible manager of an Australian Financial Services Licence and serves on an advisory committee of the Australian Centre for Financial Studies.

John is a former director of Gippsland Water and Adminpartners. He is a Graduate Member of the Australian Institute of Company Directors, a Senior Fellow of Finsia, a Fellow of the Australian Institute of Management, a Certified Practicing Marketer and Fellow of the Australian Marketing Institute and an associate member of the Australasian Investor Relations Association. He holds a Master of Public Relations.

LEADERSHIP TEAM AS AT 30 JUNE 2016

V/LINE BOARD

Interim Chief Executive
Gary Liddle

Company Secretary
Rochelle Reynolds

EGM Asset Management	EGM Service Delivery	EGM Customer	Chief Financial Officer	EGM Health, Safety, People and Environment	EGM Enterprise, Governance and Risk
David Cameron	**Judith Sturman**	**Carol-Anne Nelson**	**Phil Beale**	**Dean Matthews**	**Brendan Geary**
Network Maintenance	Train Services	Station Staff	Management Reporting	Compliance and Safeworking	Legal Services
Network Engineering	Network Services	Conductors	Finance	Safety, Risk and Assurance	Enterprise Risk
Fleet Maintenance	Strategic Service Planning	Catering	Accounting	People Safety, Health and Wellbeing	Compliance Management
Fleet Engineering	Security and Emergency Management	Authorised Officers	Procurement	Industrial Relations	Strategy and Commercial
Asset Management & Performance (inc Freight)	Strategic Projects	Corporate Affairs	ICT Services	Learning and Development	Insurance
Major Works		Coach Operations	Contract Management	HR Services	Governance
				Recruitment and Selection	Project Governance
				Leadership and Culture	
				Environment and Sustainability	

V/Line Corporation and V/Line Pty Ltd

V/Line Corporation (VLC), formerly named V/Line Passenger Corporation, was established on 15 July 2003 as a Statutory Rail Corporation under the *Rail Corporations Act 1996* and continues under the *Transport Integration Act 2010*. On 14 October 2008 VLC was declared a state business corporation pursuant to the *State Owned Enterprises Act 1992* reporting to both the Minister for Public Transport and the Treasurer.

VLC is governed by the *Transport Integration Act* which sets out its object and functions. The *Transport Integration Act* creates a framework for the provision of an integrated and sustainable transport system, and all Victorian transport agencies, including VLC are required to work together towards this common vision.

VLC is the sole shareholder of the main operating entity, V/Line Pty Ltd (V/Line). V/Line is a party to a services agreement with PTV to operate regional rail across Victoria and manage V/Line-branded coach services in regional Victoria. Passenger rail services operate on lines to Geelong, Warrnambool, Melton, Bacchus Marsh, Ballarat, Ararat, Maryborough, Kyneton, Bendigo, Swan Hill, Echuca, Albury, Shepparton, Warragul, Sale, and Bairnsdale.

V/Line also leases and maintains the regional Victorian rail assets and provides access to freight operators across the network.

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

Board composition

The boards of VLC and V/Line consist of the same independent non-executive directors. The directors of the parent entity, VLC are appointed by the Governor-in-Council on recommendation of the Minister for Public Transport, made after consultation with the Treasurer.

The directors as at 30 June 2016 were Jennifer Dawson (Chair), Craig Cook (Deputy Chair), David Harris, Gabrielle Bell, Kay Macaulay and John Donovan.

Board role

The boards have overall responsibility for the corporate governance of VLC and V/Line, respectively. Each board has established protocols and procedures to ensure that corporate governance is maintained at the highest levels and the strategic direction and overall performance of the respective business entities can be developed and monitored diligently.

The roles and responsibilities of the V/Line Board are set out in the V/Line Board Charter. In accordance with this charter, the board of V/Line conducts a regular review of its performance and identifies any areas for improvement.

Board committees

During the period 1 July 2015 to 30 June 2016, the board committees of V/Line comprised: the Audit, Finance and Risk Committee; the Human Resources and Remuneration Committee; the Safety, Security, Health and Environment Committee; and the Customer & Brand Committee.

The Organisation Effectiveness Committee ceased on 25 May 2016 and no meetings of this Committee were held during the reporting period.

The Customer & Brand Committee was established on 24 February 2016.

Each committee has a charter that sets out its roles and responsibilities.

Audit, Finance and Risk Committee:

Assists the board to oversee the financial and risk management frameworks, including reviewing and monitoring accounting policies and practices, and evaluating and developing financial and commercial risk management systems. The committee oversees internal and external audit activities.

Members at 30 June 2016 were David Harris (Chair), Jennifer Dawson, and John Donovan.

Number of meetings held during the year: Six

HR and Remuneration Committee:

Assists the board in the appointment, review and succession of the Chief Executive Officer; reviewing the remuneration policy of staff, monitoring workforce performance and culture and change initiatives.

Members as at 30 June 2016 were Craig Cook (Chair), Kay Macaulay and Gabrielle Bell.

Number of meetings held during the year: Four

Safety, Security, Health and Environment Committee:

Assists the board in discharging its obligations in relation to its safety, security, health and environment practices and provides an overview mechanism for examining the related operational risk management in V/Line.

Members as at 30 June 2016 were Gabrielle Bell (Chair), Jennifer Dawson and Kay Macaulay.

Number of meetings held during the year: Three

Customer & Brand Committee:

Established on 24 February 2016, this committee assists the board in carrying out its oversight responsibilities in relation to customer and brand strategy.

Members as at 30 June 2016 were: John Donovan (Chair), Craig Cook and David Harris.

Number of meetings held during the year: One (inaugural meeting)

Board and committee meeting attendance

V/Line Corporation

Director	Board Meetings		Special Purpose Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Jenny Dawson, Chair	5	5	1	1
Craig Cook, Deputy Chair	5	4	1	0
David Harris	5	5	1	1
Gabrielle Bell	5	4	1	1
Kay Macaulay	5	5	1	1
John Donovan	5	5	1	1

V/Line Pty Ltd

Director	Board Meetings		Special Purpose Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Jenny Dawson, Chair	12	12	4	4
Craig Cook, Deputy Chair	12	10	4	1
David Harris	12	12	4	4
Gabrielle Bell	12	11	4	4
Kay Macaulay	12	11	4	4
John Donovan	12	12	4	4

Committees

Director	HR & Remuneration Committee		Audit, Finance & Risk Committee		*Safety, Security, Health & Environment Committee		*Customer & Brand Committee	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Jenny Dawson	N/A	N/A	6	6	3	3	N/A	N/A
Craig Cook	4	4	N/A	N/A	1	0	1	1
David Harris	N/A	N/A	6	6	1	1	1	1
Gabrielle Bell	4	4	N/A	N/A	3	3	N/A	N/A
Kay Macaulay	4	4	N/A	N/A	3	3	N/A	N/A
John Donovan	N/A	N/A	6	6	1	1	1	1

*SSHE Committee consisted of all Board Directors for the period of 01.07.2015-24.02.2016
*Customer & Brand Committee formed on 24.02.2016

Access to information

Directors of VLC and V/Line are entitled to full access to information required in order to discharge their responsibilities. Directors of both entities may obtain independent professional advice on matters arising from carrying out their board duties. Directors also have access to senior managers and/or officers of the entity on whose board they serve and, on request, to documents held by the entity.

Indemnification of officers

During the financial year, V/Line insured all directors and officers of VLC and V/Line against certain liabilities incurred by them in that capacity. In accordance with normal commercial practices, the terms of the insurance contract prohibit disclosure of details of the nature of the liabilities covered by the insurance contract and the amount of the premium paid under the contract.

Corporate plan

In accordance with the *Transport Integration Act*, VLC prepared its corporate plan, including its statement of corporate intent for Ministerial approval. The corporate plan is prepared annually and covers a five year period starting from the current financial year.

Ministerial directions

V/Line received no Ministerial directions for the period ending 30 June 2016.

Risk management & insurance

V/Line has an enterprise-wide risk management (EWRM) framework, which adopts the principles of the ISO31000:2009 Risk Management Standard and aligns with the Victorian Government Risk Management Framework. The EWRM framework applies to all activities and risk types. The board of V/Line sets the risk appetite, management risk limits and monitors its performance in meeting the requirements.

V/Line's Board and management monitor the operating environment and horizon, to ensure it is prepared to respond effectively to new and emerging risks and that management maintains a reliable control environment. The governance structure includes the Safety, Security, Health and Environment Committee and the Audit, Finance and Risk Committee.

In March 2016 VMIA issued revised criteria for determining compliance for the purposes of attestations under Ministerial Direction 4.5.5, including the introduction of Interagency Risk process requirements. Arrangements for addressing interagency and state significant risks, and collaboration with stakeholders are being incorporated into V/Line's risk management framework.

V/Line, in consultation with VMIA, maintains appropriate insurances as required under the *Victorian Managed Insurance Authority Act 1996*. Insurance cover not offered by VMIA and obtained via direct policy arrangements include: Motor Vehicle, WorkCover and Directors and Officers insurance.

V/Line applies *Accounting Standard AASB137 Provisions, Contingent Liabilities and Contingent Assets* to determine the valuation of self-insured retained losses on all open claims.

Use of good risk management practice also ensures we meet our obligations under the Rail Safety National Law, *Victorian Management Insurance Authority Act*, *Public Administration Act 2004* and the Financial Management Compliance Framework.

It is through the application of the risk management and insurance above that V/Line is able to attest to its partial compliance with Ministerial Direction 4.5.5 – Risk Management Framework and Processes.

Partial compliance relates to the integration of management of interagency risks and effectiveness of processes. Over the 2016-17 financial year V/Line will review its policies and framework to adopt agreed interagency and state significant risk processes utilising the VMIA Practice Notes and processes established by DEDJTR. Additional controls assurance will focus on development of lead indicators for high consequence risks.

Attestation for compliance with Ministerial Standing Direction 4.5.5

I, Jenny Dawson, certify that V/Line Corporation through its wholly owned subsidiary and operating company, V/Line Pty Ltd, has partially complied with Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. V/Line Pty Ltd's Audit, Finance & Risk Committees verifies this. Partial compliance relates to the integration of management of interagency risks and effectiveness of processes to fully meet the requirements of the VMIA Practice Notes issued in March 2016. Over the 2016-17 financial year V/Line will review its policies and framework to adopt agreed interagency and state significant risk processes utilising the Practice Notes and processes established by DEDJTR. Additional controls' assurance will focus on development of lead indicators for high consequence risks.

Dawson

Jenny Dawson
17 August 2016

Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by VLC. For the year ended 30 June 2016, VLC received 15 applications. Of these requests, five were from Members of Parliament; four requests were from the media and six requests from the general public. The majority of these requests were acceded to in full or part with only one application refused in full.

This year V/Line was notified of two complaints and two review requests from the FOI Commissioner. Of these, two reviews upheld V/Line's decision in full (which included one review commenced in previous year); one review remains ongoing and two complaints were resolved. No notifications of VCAT hearings were received.

Making a request

Access to documents may be obtained through written request to VLC's Freedom of Information Officer as detailed in s17 of the *Freedom of Information Act 1982*. In summary, the requirements for making a request for a document in the possession of VLC are:

- it should be in writing and addressed to:

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

- identify as clearly as possible which document is being requested; and
- be accompanied by the application fee of $27.90 (the fee may be waived in certain circumstances).

Access charges may also apply once documents have been processed and a decision on access is made, for example, photocopying and search and retrieval charges.

Further information regarding Freedom of Information can be found at **www.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*.

Compliance with the Privacy and Data Protection Act 2014

V/Line complies with the *Privacy and Data Protection Act 2014*.

National Competition Policy

V/Line has implemented and complies with the National Competition Policy, including compliance with the requirements of the policy statement 'Competitive Neutrality Policy Victoria', and any subsequent reforms.

Protected Disclosure Act 2012

The *Protected Disclosure Act 2012* encourages and enables people to make disclosures of improper conduct by a public officer or body without fear of reprisal and protects them when they do so. V/Line is committed to the aims and objectives of the *Protected Disclosure Act*. V/Line has procedures in place for protecting people against detrimental action that might be taken against them in reprisal for the making of protected disclosures. Our procedure can be found at **vline.com.au**.

V/Line cannot receive disclosures under the *Protected Disclosure Act*. Any disclosure of improper conduct by V/Line or its employees which a discloser wishes to make under the *Protected Disclosure Act* may be made to:

Independent Broad-based Anti-Corruption Commission (IBAC)
GPO Box 24234
Melbourne, Victoria 3000
www.ibac.vic.gov.au
Phone: 1300 735 135

Implementation of the Victorian Industry Participation Policy (VIPP)

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

During 2015-16, V/Line commenced nine VIPP applicable procurements totalling $79.9 million. Of those projects, six were located in regional Victoria and two in metropolitan Melbourne. While all the applicable procurements underwent a VIPP Contestability Assessment, none required a VIPP Plan.

During 2015-16, V/Line completed one VIPP applicable project valued at about $6.5 million. The outcomes reported from the implementation of the VIPP where information was provided, were as follows:

- an average of 93 per cent of local content outcome was recorded;
- a total of 14 (AEE) positions were created; and
- 0 new apprenticeships created and 1 existing apprenticeship retained.

The benefits to the Victorian economy in terms of retention of skills from the completed project included the use of local engineering, plumbing (de-watering system) and electrical (lighting and power) services as well as a significant utilisation of raw material from the local quarry.

During 2015-16, no small to medium sized or large businesses prepared a VIPP Plan.

During 2015-16, zero interaction reference numbers were undertaken with the Industry Capability Network for grants provided and design contracts by the Department.

Availability of additional information

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained 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 interests have been duly completed by all relevant officers;
b) details of publications produced by V/Line about itself, and how these can be obtained;
c) details of changes in prices, fees, charges, rates and levies charged by V/Line;
d) details of any major external reviews carried out on V/Line;
e) details of major research and development activities undertaken by V/Line;
f) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
g) details of major promotional, public relations and marketing activities undertaken by V/Line to develop community awareness of V/Line and its services;
h) details of assessments and measures undertaken to improve the occupational health and safety of employees;
i) a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes;
j) a list of the major committees of the V/Line Board, the purposes of each committee and the extent to which the purposes have been achieved; and
k) details of all consultancies and contractors including:
   (i) consultants/contractors engaged;
   (ii) services provided; and
   (iii) expenditure committed to for each engagement.

The information is available on request from the Company Secretary.

FINANCIAL STATEMENTS

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DECLARATION BY THE BOARD OF DIRECTORS, ACCOUNTABLE OFFICER AND CHIEF FINANCE AND ACCOUNTING OFFICER

The attached financial statements for V/Line Corporation ("the Corporation") and the Corporation's subsidiary ("the Consolidated entity") have been prepared in accordance with Standing Direction 4.2 of 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 consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2016 and the financial position of the consolidated entity at 30 June 2016.

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 17 August 2016.

Jennifer Dawson, Chair

Gary Liddle, Chief Executive Officer

Philip Beale, Chief Financial Office

INDEPENDENT AUDITOR'S REPORT

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010

Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, V/Line Corporation

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the V/Line Corporation which comprises the consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Declaration by the Board of Directors, Accountable Officer and Chief Finance and Accounting Officer. The financial report is the consolidated financial statements of the consolidated entity, comprising V/Line Corporation and the entities it controlled at year end or from time to time during the financial year as disclosed in Note 1(c) to the consolidated financial statements.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

Auditing in the Public Interest

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of V/Line Corporation and the consolidated entity as at 30 June 2016 and their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the Australian accounting profession.

MELBOURNE
24 August 2016

for Dr Peter Frost
Acting Auditor-General

2
Auditing in the Public Interest

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Notes	2016 $'000	2015 $'000
CONTINUING OPERATIONS			
Income from transactions			
Revenue	2(a)	550,189	493,249
Other income	2(b)	124,953	125,525
Total income from transactions		**675,142**	**618,774**
Expenses from transactions			
Operational expenses	3(a)	431,888	351,890
Depreciation/Amortisation	3(b)	23,708	19,447
Administrative expenses		77,883	72,315
Selling expenses		1,253	1,419
Marketing and communication		2,474	1,948
Customer service expenses		3,876	3,525
Project expenses		66,229	47,096
Infrastructure maintenance		58,054	92,971
Trains provided free of charge – operating expenditure	1(j)	35,362	30,450
Total expenses from transactions		**700,727**	**621,061**
Net result from transactions (net operating balance)		**(25,585)**	**(2,287)**
Other economic flows included in net result			
Net gain/(loss) on financial instruments	4(a)	(82)	(51)
Other gains/(losses) from other economic flows	4(b)	(1,558)	(755)
Total other economic flows included in net result		**(1,640)**	**(806)**
Net result from continuing operations before income tax		**(27,225)**	**(3,093)**
Income tax (expense) benefit	5(a)	3,855	976
Net result	16	**(23,370)**	**(2,117)**
Other economic flows – other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	16	-	9,406
Items that may be reclassified subsequently to net result			
Fair value gains/(losses) on hedging instruments, net of tax	16	1,397	-
Total other economic flows – other comprehensive income		**1,397**	**9,406**
Comprehensive result		**(21,973)**	**7,289**

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

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	6	20,175	26,607
Receivables	7	54,187	40,209
Other financial assets	8	1,996	-
Total financial assets		**76,358**	**66,816**
Non-financial assets			
Inventories	9	9,889	9,434
Property, plant and equipment	10	130,292	145,133
Intangible assets	11	8,834	-
Other non-financial assets	12	5,021	3,971
Total non-financial assets		**154,036**	**158,538**
Total assets		**230,394**	**225,354**
LIABILITIES			
Payables	1(u),14	88,344	63,939
Current provisions	1(v),15	69,473	63,266
Non-current provisions	1(v),15	6,631	6,974
Deferred tax liabilities	5(b)	-	3,256
Total liabilities		**164,448**	**137,435**
Net assets		**65,946**	**87,919**
EQUITY			
Accumulated deficit	16	(59,422)	(36,052)
Physical asset revaluation surplus	16	123,971	123,971
Hedge reserve	16	1,397	-
Net worth		**65,946**	**87,919**

Commitments for expenditure	23
Contingent assets and contingent liabilities	25

The consolidated balance sheet should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Notes	Physical Asset Revaluation Surplus $'000	Hedge Reserve $'000	Accumulated Deficit $'000	Total Equity $'000
Balance at 1 July 2014	**16**	**114,565**	**-**	**(33,935)**	**80,630**
Net result for the year	16	-	-	(2,117)	(2,117)
Other comprehensive income for the year	16	9,406	-	-	9,406
Balance at 30 June 2015	**16**	**123,971**	**-**	**(36,052)**	**87,919**
Net result for the year	16	-	-	(23,370)	(23,370)
Other comprehensive income for the year	16	-	1,397	-	1,397
Balance at 30 June 2016	**16**	**123,971**	**1,397**	**(59,422)**	**65,946**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Notes	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from government		573,743	494,008
Receipts from other entities		116,400	138,308
Interest received		575	404
Total receipts		**690,718**	**632,720**
Payments			
Payments to suppliers and employees		(677,647)	(599,778)
Goods and Services Tax paid to the ATO		(1,801)	(5,676)
Total payments		**(679,448)**	**(605,454)**
Net cash flows from/(used in) operating activities	18	**11,270**	**27,266**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of non-financial assets		(17,702)	(14,922)
Net cash flows from/(used in) investing activities		**(17,702)**	**(14,922)**
Net increase/(decrease) in cash and cash equivalents		**(6,432)**	**12,344**
Cash and cash equivalents at the beginning of the financial year		26,607	14,263
Cash and cash equivalents at the end of the financial year	6	**20,175**	**26,607**

The consolidated cash flow statement should be read in conjunction with the notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies

These annual consolidated financial statements represent the audited general purpose financial statements for V/Line Corporation ("the Corporation") and its controlled entity V/Line Pty Ltd ("the Group") for the year ended 30 June 2016.

The Corporation is a Victorian statutory corporation established in Australia under the *Rail Corporations Act 1996*.

Its principal address is:

V/Line Corporation
Level 9, 750 Collins Street
Docklands VIC 3008

Objectives

The objectives of V/Line are:

- to operate rail 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 Public Transport Development Authority ("PTV");
- develop and deliver projects, including by acquiring rolling stock, constructing rail infrastructure, roads or road-related infrastructure, or provide assistance to the Department of Economic Development, Jobs, Transport and Resources ("DEDJTR"; "the Department") or any other relevant body in making improvements to the transport system;
- provide advice to PTV to assist in operational policy development in relation to public transport system matters as requested by PTV;
- develop and implement effective environmental policies, strategies and management systems under the Department's planning framework to support a sustainable transport system, including minimising any adverse environmental impacts from rail passenger and rail freight services; and
- 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.

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the Financial Management Act 1994 ("FMA") and applicable Australian Accounting Standards ("AAS") 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 are selected and applied in a manner which ensures 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.

These annual general purpose financial statements were authorised for issue by the Board of Directors ("the Board") on 17 August 2016.

(b) Basis of accounting preparation and measurement

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of 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 to Note 1(p));
- the fair value of financial instruments (refer note 1(l)); and 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 Note 1(v)).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

These financial statements are presented in Australian dollars and are prepared in accordance with the historical cost convention except for:

- certain non-financial physical assets which, subsequent to acquisition, are measured at a re-valued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are conducted with sufficient regularity to ensure that carrying amounts do not materially differ from their fair value and are tested for impairment annually.
- derivative financial instruments after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement.

Historical cost is based on the fair values of the consideration given in exchange for assets.

Consistent with *AASB 13 Fair Value Measurement*, the Group determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments and for non-recurring fair value measurements in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For the purpose of fair value disclosures, the Group 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, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria ("VGV") is the Group's independent valuation agency. The Group 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.

(c) Basis of consolidation

The financial report comprises the consolidated financial statements of V/Line Corporation and its subsidiary V/Line Pty Ltd. The effects of all transactions between entities in the Group are eliminated in full.

In accordance with *AASB 10 Consolidated Financial Statements*:

- the consolidated financial statements of the Group incorporates assets and liabilities of all reporting entities controlled by the Group as at 30 June 2016, and their income and expenses for that part of the reporting period in which control existed; and
- the consolidated financial statements exclude bodies in the Group's portfolio that are not controlled by the Group, and therefore are not consolidated. Bodies and activities that are administered are also not controlled and not consolidated.

Where control of an entity is obtained during the financial period, its results are included in the consolidated comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

In the process of preparing consolidated financial statements, all material transactions and balances between entities within the Group are eliminated.

V/Line Corporation is represented by:

Investment in subsidiary	$1
Contributed equity	$1

The Corporation has no other assets or liabilities and acts as a holding company. The Corporation has no restrictions on its ability to access or use the assets and settle the liabilities of the Group, such as:

- the ability to transfer cash or other assets to (or from) other entities within the Group.
- guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to (or from) other entities within the Group.

There are no protective rights of non-controlling interests that can significantly restrict the Corporation's ability to access or use the assets and settle the liabilities of the Group.

The carrying amounts of the assets and liabilities in the consolidated financial statements do not have any restrictions (as detailed above) applied to them.

Given the immaterial nature of the investment held by the parent entity, the financial results of the parent entity have not been reported separately. The parent entity does not trade.

Entities consolidated within the V/Line Corporation group are:

Name	Principal place of incorporation and business	Equity interest	2016 $'000	2015 $'000
V/Line Pty Ltd	Australia	100%	-	-

(d) Scope and presentation of financial statements

Consolidated comprehensive operating statement

The consolidated comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, 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 remeasurements. They include:

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

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of Financial Statements.

Consolidated balance sheet

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

Current and non-current assets and liabilities 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 of 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.

Consolidated statement of changes in equity

The consolidated 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 shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

Consolidated 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*.

Rounding

Amounts in the financial statements have been rounded to the nearest $1,000, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

(e) Changes in accounting policies

Subsequent to the 2014-15 reporting period, there are revised Standards that have been adopted effective from the 2015-16 reporting period and are considered to have insignificant impacts on public sector reporting:

- AASB 1048 *Interpretation of Standards*
- AASB 2013-9 *Amendments to Australian Accounting Standards [Part C Financial Instruments]*
- AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*
- AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127 & AASB 128]*

However, the amending standard AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*, which is operative from 1 July 2016, provides an exemption for not-for-profit public sector entities from certain fair value disclosures. The State early adopted AASB 2015-7 in the 2014-15 reporting period and gave not-for-profit entities the option to early adopt this amending standard last year, which the Group did not. The Group must now comply with this amending standard for the current financial year.

(f) Not-for-profit

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

(g) Going concern

The Group 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 the Group could not continue as a going concern (Note 27).

Each year the Group undertakes normal budget processes that form part of the State Government of Victoria's forward budget estimates. Allocations are made through the State Government of Victoria's budget to enable V/Line to meet its output obligations under the Service Agreement with PTV. Once the budget allocation is approved the final funding available to the Group is determined for that year.

DEDJTR formally agrees annually to provide adequate cash flow support through PTV to enable the Group 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.

The Group meets regularly with its shareholders and PTV 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 $66.5 million (2015: $47 million) this financial report has been prepared on a going concern basis. The Group is financially subsidised by its ultimate parent entity, the State Government of Victoria, pursuant to a Services Agreement with PTV.

The funding requirements for the year ending 30 June 2017 have been agreed with PTV under an approved budget allocation pursuant to the Services Agreement. The Services Agreement contains provisions for the Corporation's funding requirements to be met by the State Government of Victoria throughout the three year period of the Services Agreement which ends on 31 December 2016. The replacement Service Agreement is currently being finalised and it is expected that it will be in place and executed by 31 December 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

DEDJTR has agreed to provide adequate cash flow support through PTV via a Letter of Support to enable the consolidated entity to meet its current and future operational obligations as and when they fall due for a period up to September 2017, should this be required. This assurance from DEDJTR for financial support only applies while the consolidated entity remains in full state ownership.

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 the Group not continue as a going concern.

Refer to Note 27 for further details of the Group's economic dependency on the State Government of Victoria.

(h) National Tax Equivalent Regime (NTER)

By direction of the Treasurer of Victoria, under the *State Owned Enterprise Act 1992*, the Group entered into the NTER on 1 October 2003. 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 consolidated 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.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Corporation will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Under existing arrangements with the Administrator of the National Tax Equivalent Regime, V/Line Pty Ltd and its holding company V/Line Corporation are treated as separate entities for the purposes of their income tax compliance obligations. Each entity accounts for tax on a stand-alone basis not on a consolidated income tax basis.

(i) Accounting for the goods and services tax (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 consolidated 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 (refer to Note 1(w) and Note 1(x)).

(j) Revenue and Expenditure

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and that it can be reliably measured.

(i) Ticket sales/Fare-box

Fare-box revenue is recognised as received. V/Line receives fare-box 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.

(ii) Contributions

The State Government of Victoria provides subsidies that are recognised as revenue when they are controlled by the Group, which is generally upon receipt of the subsidy. Subsidies are both of an operational and project nature.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

(iii) Value in kind

Use of VLocity, diesel multiple unit trains which are leased or owned by Rolling Stock Holdings Pty Ltd are received free of charge ("Value in Kind";"VIK"). The VIK measurement is based on the value of the lease payments or the notional value based on the capital cost per unit of rolling stock purchased outright. An expense of the equal amount is also recognised in the Comprehensive Operating Statement. Therefore the net impact on Comprehensive Income is zero arising from this recognition.

Expenditure

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

(i) Employee expenses

Refer to the section in Note 1(v) regarding employee benefits. These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

(ii) Superannuation

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

The Department of Treasury and Finance ("DTF") in its annual financial statements disclose on behalf of the State as the sponsoring employer, the net defined benefit liabilities related to the members of these plans as an administered liability. Refer to DTF's annual financial statements for more detailed disclosures in relation to these plans.

(iii) Depreciation

All infrastructure assets, buildings, plant and equipment and other nonfinancial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straightline basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Refer to Note 1(p) for the depreciation policy for leasehold improvements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

(iv) Amortisation of non-produced intangible assets

Intangible non-produced assets with finite lives are amortised as an "other economic flow" on a systematic (straight line) basis over the asset's useful life. 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

(v) Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include:

(vi) 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 distribution are expensed when distributed.

(vii) Value in kind

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, which is 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.

(l) Financial instruments

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

(i) Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits, trade receivables and other receivables, but not statutory receivables.

(ii) Available for sale financial assets

Available for sale financial instrument assets are those designated as available for sale or not classified in any other category of financial instrument asset.

Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value recognised in equity until the investments are disposed. On disposal, the cumulative gain or loss previously recognised in equity is transferred to other economic flows in the net result.

(iii) Derivative financial instruments

During the financial year the Group entered into a Diesel fuel swap hedge arrangement with Treasury Corporation of Victoria for a period of 12 months. Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an other economic flow included in the net result.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities, or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions, is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

In relation to fair value hedges, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk. Whereas cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The diesel fuel hedges are designated as cash flow hedges.

(iv) Reclassification of financial instruments

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument asset may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

(v) Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include the Group's contractual payables, deposits held and advances received, and interest bearing arrangements other than those designated at fair value through profit or loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

(m) Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to sales of goods and services; and
- statutory receivables, such as amounts owing from the ATO relating to fuel tax credits.

Contractual receivables representing passenger, inter-operator and other revenues receivable are carried at nominal amounts due, less any allowance for impairment. Receivables are due for settlement at no more than 30 days from the date of recognition. Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

A provision for impairment is recognised when collection of the full amount is no longer probable (that is when the debt is more than 90 days overdue), and bad debts are written off when identified.

Receivables from related parties consist predominantly of amounts owing from PTV and DEDJTR 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.

(n) Inventories

Inventories include goods and other property held either for sale or for consumption in the ordinary course of business operations. Inventories are stated 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.

(o) Investment in subsidiaries

Investments in subsidiaries are carried at cost.

(p) Property, plant and equipment

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

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

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

There were no changes in valuation techniques throughout the period to 30 June 2016.

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

(i) Valuation of rolling stock and rotables

Non-financial physical assets are measured at fair value in accordance with FRD 103F issued by the Minister for Finance. The Group undertook an independent revaluation of its rolling stock as at 30 June 2015 in line with the five year revaluation cycle based on the asset's government purpose classification. Revaluations may occur more frequently if fair value assessments indicate material changes in value. Independent valuers are generally used to conduct these scheduled revaluations. Any interim revaluations are determined in accordance with the requirements of the FRDs.

The 2015 valuation was performed by the Valuer General Victoria. V/Line has adopted depreciated replacement cost as the valuation basis for its rolling stock. This approach is in accordance with the requirements of AASB 116 and FRD 103F, which states that the net recoverable test does not apply to a not-for-profit entity since there is no dependence on its assets abilities to generate net cash inflows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

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; and
- 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.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 10 Property, Plant and Equipment.

(ii) Depreciation of property, plant and equipment

All non-financial physical assets have finite useful lives and as such are depreciated. Depreciation is generally calculated on a straight-line basis over the estimated useful life of the asset.

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 the Group'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 included in the rolling stock management plan includes major examinations and overhauls of rolling stock. The consolidated entity treats these examinations as significant upgrades, which extend the useful life of the rolling stock. Included in the refurbishment program is 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. All other maintenance examinations and minor work are treated as repairs and maintenance and expensed when incurred.

The Group has reviewed the current depreciation policies for the Classic Fleet and has determined that from 1 July 2016 it is considered appropriate that the Classic Fleet be depreciated fully by 30 June 2025. This decision was made after considering statements made in the 2016-17 State Government of Victoria Budget.

A review of the carrying value of the Classic Fleet has been made in the light of identification of the effective end of life date of 30 June 2025 and there is no need for impairment of the carrying value of the Classic Fleet.

(iii) 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;

Plant and equipment	3 to 10 years
Rolling stock	2 to 22 years
Leasehold improvements	3 to 10 years
Rolling stock – capitalised improvements	2 to 22 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

(iv) 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 depreciated 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

(q) Operating leases

Lease payments for operating leases, where substantially all the risks and benefits of ownership remain with the lessor, are recognised as an expense in the consolidated comprehensive operating statement on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the pattern of the benefits derived from the use of the leased assets.

(r) Impairment of non-financial assets

All non-financial assets are assessed annually for indications of impairment, except for:

- Deferred tax assets (refer Note 1(h));
- Inventories (refer Note 1(n)); and
- Prepayments (refer Note 1(t)).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying amount exceeds their recoverable amount. Where an asset's carrying amount exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

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 depreciated replacement cost and fair value less costs to sell.

(s) Intangible assets

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

(t) Other non-financial assets

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

(u) Payables

Payables consist of:

- contractual payables, such as trade payables, and unearned income including deferred income from tickets sold relating to trips that will be taken after the reporting date. Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid, and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax, fringe benefits tax payables, and payroll related payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and are not included in the category of financial liabilities at amortised cost because they do not arise from a contract.

All payables are recognised at amortised cost and are not discounted due to their short-term nature.

(v) Employee benefits

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.

Employee benefits are guaranteed by the State of Victoria. This guarantee does not reach the recognition criteria under the Australian Accounting Standards for an offsetting receivable to be recognised in the accounts of the Group.

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and all other short-term employee benefits have been classified as current liabilities in the consolidated balance sheet, as the Group does not have an unconditional right to defer the settlement of these liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

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 the Group expects to wholly settle the liability within 12 months; or
- present value - if the Group does not expect to wholly settle the liability within 12 months.

(ii) Long service leave (LSL)

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability; even where the Group 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 - component that the Group expects to wholly settle within 12 months; and
- present value - component that the Group does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability as there is an unconditional right to defer the settlement of the entitlement until the employee has completed 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.

(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. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or 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 recognised separately from the provision for employee benefits.

(w) Commitments

Commitments for future expenditure include operating commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 23 Commitments for expenditure other than public private partnerships) at their nominal value and inclusive of the goods and services tax (GST) payable.

(x) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the consolidated balance sheet, but are disclosed by way of a note (refer to Note 25 Contingent assets and contingent liabilities), and if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

(y) Significant accounting estimates and judgments

Management evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Outlined below are the critical estimates and judgements made by management in the process of applying the Group's accounting policies, and that have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Depreciated replacement cost calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Allowance for impairment loss on trade receivables

During the 2015-16 financial year, $45,551 was written off against the provision of doubtful debts. An additional $136,057 was also provided for; therefore there has been a $90,506 net increase in the provision for doubtful contractual receivables in 2015-16 based on a detailed analysis of the recoverability of individual accounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

(iii) Useful lives of property, plant & equipment

The useful lives of property, plant & equipment are reviewed on an annual basis to ensure their contribution is realistically based on their useful economic life.

(iv) Recovery of deferred tax asset

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.

(v) Annual leave on costs

Superannuation on costs associated with the annual leave provision has been applied to 90 per cent of the provision before on costs. The remaining 10 per cent representing estimated terminations which do not attract superannuation payment obligation.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 30 June 2016. The Department of Treasury & Finance (DTF) assesses the impact of all these new standards and advises entities of their applicability and early adoption where applicable. As at 30 June 2016, the following standards and interpretations had been issued but were not mandatory for the financial year ended 30 June 2016.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	An assessment has not identified any material impact arising from AASB 9. V/line will continue to monitor and assess.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge.
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 14 *Regulatory Deferral Accounts*	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 Jan 2016	The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, which do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: • The entity's right to receive payment of the dividend is established; • It is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably.	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified in AASB 15.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement. No change for lessors.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* [AASB 116 & AASB 138]	Amends AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* to: • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* [AASB 1, 127 & 128]	Amends AASB 127 *Separate Financial Statements* to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 Jan 2016	The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [AASB 10 & AASB 128]	AASB 2014-10 amends AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates* to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: • a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and • a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1 Jan 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Amends the methods of disposal in AASB 5 Non-current assets held for sale and discontinued operations. Amends AASB 7 *Financial Instruments* by including further guidance on servicing contracts.	1 Jan 2016	When an asset is reclassified from ‘held to sale’ to ‘held for distribution’, or vice versa, the asset does not have to be reinstated in the financial statements. Entities are required to disclose all types of continuing involvement the entity still has when transferring a financial asset to a third party under conditions which allow it to derecognise the asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* [AASB 10, AASB 124 & AASB 1049]	The Amendments extend the scope of AASB 124 *Related Party Disclosures to Not-for-Profit Public Sector Entities*. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	Extended disclosures on the entity's key management personnel (KMP), and the related party transactions.
AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*	The standard amends AASB 136 *Impairment of Assets* to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	Minimal impact. V/Line has specialised assets, and it is presumed to be the highest and best use (HBU). The current replacement cost under AASB 13 *Fair Value Measurement* is the same as the depreciated replacement cost concept under AASB 136.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2 Income from transactions

	2016 $'000	2015 $'000
(a) Revenue		
Fare-box revenue	106,493	101,233
Inter-operator income	909	576
Franchise subsidy	390,972	336,225
Access charges	3,970	4,957
Other income	12,483	19,808
Trains received free of charge	35,362	30,450
	550,189	**493,249**
(b) Other income		
Interest-other persons/corporation	575	404
Government project re-imbursement	124,378	125,121
	124,953	**125,525**
Total income from transactions	**675,142**	**618,774**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3 Operational expenses and depreciation

(a) Operational expenses

	Notes	2016 $'000	2015 $'000
Fleet maintenance		104,262	88,726
Fuel costs		20,717	25,602
Access charges		15,222	19,498
V/Line-branded coach contract costs		32,741	33,164
Road coach services		33,934	8,132
Other direct costs		18,086	13,729
Repairs & maintenance		21,919	3,700
		246,881	**192,551**
Direct labour costs			
Salaries and wages		136,970	116,961
Superannuation		17,775	15,462
Annual leave and long service leave expense		19,953	17,813
Other on-costs (payroll tax and work cover levy)		10,309	9,103
		185,007	**159,339**
Total operational expenses		**431,888**	**351,890**

(b) Depreciation/amortisation of non-current assets

	Notes	2016 $'000	2015 $'000
Rolling stock	10	17,842	9,836
Rolling stock - capitalised improvements	10	1,435	7,516
Plant and equipment	10	1,630	1,564
Leasehold improvements	10	510	531
Intangible assets	11	2,291	-
Total depreciation/amortisation of non-current assets		**23,708**	**19,447**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4 Other economic flows included in net result

	2016 $'000	2015 $'000
(a) Net gain/(loss) on financial instruments		
Impairment of contractual receivables	(136)	(51)
Net gain/(loss) on arising from financial instruments	54	-
Total net gain/(loss) on financial instruments	**(82)**	**(51)**
(b) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service leave liability	(1,558)	(755)
Total other gains/(losses) from other economic flows	**(1,558)**	**(755)**

Note 5 Income tax expense/(benefit)

(a) Income tax expense

	2016 $'000	2015 $'000
Accounting profit/(loss) before income tax	(27,225)	(3,093)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%)	(8,168)	(928)
Deferred tax expense relating to reversal of temporary differences	(330)	(48)
Tax losses not recognised due to uncertainty of recovery	4,643	-
Income tax expense/(benefit)	**(3,855)**	**(976)**
The component of tax expense/(benefit) comprises:		
Current tax	(3,115)	2,696
Deferred tax	(740)	(3,672)
	(3,855)	**(976)**
Weighted average tax rate	14.2%	31.5%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5 Income tax expense/(benefit) (continued)

(b) Deferred tax liability

	2016 $'000	2015 $'000
Gross deferred tax assets – temporary differences		
Recognised losses available for offsetting against future taxable income	9,156	10,362
Accruals	846	503
Provision for employee entitlements	22,092	20,283
Other provisions	787	810
Total deferred tax assets	**32,881**	**31,958**
Deferred tax liability		
Accelerated depreciation for taxation purposes	32,282	35,214
Equity – Fuel Hedge Reserve	599	-
Total deferred tax liability	**32,881**	**35,214**
Net deferred tax asset/(liability)	-	**(3,256)**
Movement in deferred tax liability		
Opening net deferred tax liability	(3,256)	(201)
Deferred tax movement through equity	(599)	(4,031)
Utilisation of carry forward tax losses	-	(2,306)
Generation of carry forward tax losses	3,115	-
De-recognition of excess carry forward tax losses	(4,643)	-
Income tax expense/(benefit)	5,383	3,282
Aggregate deferred tax asset/(liability)	-	**(3,256)**

The Group has unrecognised deferred tax assets attributable to carry forward tax losses of $4.6 million (2015: nil).

(c) Amount charged directly to equity

Fuel hedge reserves	599	-
Total amount charged to equity	**599**	**-**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6 Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank	20,013	26,447
Cash on hand	162	160
Total cash and cash equivalents	**20,175**	**26,607**

Note 7 Receivables

	2016 $'000	2015 $'000
Current receivables		
Contractual		
Trade receivables	36,726	24,745
Other receivables	16,356	14,270
Provision for doubtful contractual receivables (refer also Note 7(a))	(161)	(71)
	52,921	**38,944**
Statutory		
Fuel rebate receivable from the ATO	1,266	1,265
	1,266	**1,265**
Total receivables	**54,187**	**40,209**
Related party receivables		
Trade receivables include the following receivables from related parties:		
Public Transport Victoria and Department of Economic Development, Jobs, Transport and Resources	29,995	21,068
Other related parties	738	116
	30,733	**21,184**

Terms and conditions relating to the above financial instruments:
Credit sales are on 30 day terms.
Details of the terms and conditions of related parties' receivable are set out in Note 22.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7 Receivables (continued)

	2016 $'000	2015 $'000
(a) Movement in the provision for doubtful contractual receivables		
Balance at beginning of the year	(71)	(3,048)
Increase in provision recognised in the net result	(136)	(51)
Reversal of provision of receivables written off during the year as uncollectible	46	3,028
Balance at end of the year	**(161)**	**(71)**

A provision has been raised for estimated irrecoverable amounts, when there is objective evidence that an amount is impaired

(b) Ageing analysis of contractual receivables

Refer to Note 17 for the ageing analysis of contractual receivables.

(c) Nature and extent of risk arising from contractual receivables

Refer to Note 17 for the nature and extent of risks arising from contractual receivables.

Note 8 Other financial assets

Current other financial assets		
Fuel hedge derivative	1,996	-
Total other financial assets	**1,996**	**-**

Note 9 Inventories

Spares and materials at cost	**9,889**	**9,434**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10 Property, plant and equipment

Table 10.1 Classification by 'purpose groups' – carrying amounts [i]

	Total Transportation & Communication[ii] 2016 $'000	2015 $'000
Plant and equipment		
At fair value	38,453	38,345
Accumulated depreciation	(33,685)	(32,643)
Net carrying amount	**4,768**	**5,702**
Rolling stock		
At fair value	128,048	128,754
Accumulated depreciation	(16,229)	(706)
Net carrying amount	**110,206**	**128,048**
Leasehold Improvements		
At fair value	8,064	6,942
Accumulated depreciation	(5,521)	(4,422)
Net carrying amount	**2,543**	**2,520**
Rolling stock – capitalised improvements		
At fair value	9,665	-
Accumulated depreciation	(1,435)	-
Net carrying amount	**8,230**	-
Capital works in progress	**4,545**	**8,863**
Total property, plant and equipment	**130,292**	**145,133**

[i] Property plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classifications. All assets in a purpose group are further sub categorised according to the asset's 'nature' (i.e. buildings, plant and equipment, etc.), with each sub category being classified as a separate class of asset for financial reporting purposes

[ii] The Group classifies all its property, plant and equipment into the purpose group of Transportation & Communication. This purpose is based upon the government's purpose classifications, as per above.

Valuation of rolling stock

V/Line's classic fleet rolling stock comprises diesel electric locomotives, carriages, diesel multiple units (known as Sprinters) and vans.

An independent valuation of the classic fleet rolling stock was conducted by Valuer General Victoria ("VGV") with an effective date of 30 June 2015, in accordance with the requirements of FRD 103F.

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, other indirect methods have been used.

The depreciated replacement cost method was used as the primary method of the last valuation, and provided a fair value for the rolling stock fleet as at 30 June 2015 of $128 million.

The Corporation considers that the net carrying amount of the rolling stock as at 30 June 2016 is a reasonable approximation of its fair value at this date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10 Property, plant and equipment (continued)

Movement in carrying amounts - The movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current and prior year is as follows:

Table 10.2 Classification by 'transport & communication' purpose group – movements in carrying amounts

	Total Transportation & Communication[ii]	
	2016 $'000	**2015 $'000**
Rolling stock at fair value		
Carrying amount at beginning of year	128,048	96,463
Increase due to revaluation	-	13,436
Transfer WDV of Capitalised Improvements due to revaluation	-	27,985
Depreciation expense	(17,842)	(9,836)
Carrying amount at end of year	**110,206**	**128,048**
Rolling stock at cost – capitalised improvements		
Carrying amount at beginning of year	-	29,002
Additions	9,665	6,214
Transfers from works in progress	-	285
Transfer WDV to Rolling Stock due to revaluation	-	(27,985)
Depreciation expense	(1,435)	(7,516)
Carrying amount at end of year	**8,230**	**-**
Plant and equipment		
Carrying amount at beginning of year	5,702	6,063
Additions	696	812
Transfers from works in progress	-	406
Disposals	-	(15)
Depreciation expense	(1,630)	(1,564)
Carrying amount at end of year	**4,768**	**5,702**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10 Property, plant and equipment (continued)

Table 10.2 Classification by 'transport & communication' purpose group – movements in carrying amounts (continued)

	Total Transportation & Communication[ii]	
	2016 $'000	**2015 $'000**
Leasehold improvements		
Carrying amount at beginning of year	2,520	2,856
Additions	533	129
Transfers from works in progress	-	66
Depreciation expense	(510)	(531)
Carrying amount at end of year	**2,543**	**2,520**
Capital works in progress		
Carrying amount at beginning of year	8,863	1,838
Additions	6,807	7,782
Transfer to Intangible assets	(11,125)	-
Transfers to fixed assets	-	(757)
Carrying amount at end of year	**4,545**	**8,863**
Total property, plant and equipment		
Carrying amount at beginning of year	145,133	136,222
Additions	17,701	14,937
Transfers from works in progress	-	757
Increase due to revaluation	-	13,436
Disposals	-	(15)
Depreciation expense	(21,417)	(19,447)
Transfer to Intangible assets	(11,125)	-
Transfers to fixed assets	-	(757)
Carrying amount at end of year	**130,292**	**145,133**

[ii] All additions are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment upon the revaluation of the entire asset class

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10 Property, plant and equipment (continued)

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

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

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

There were no changes in valuation techniques throughout the period to 30 June 2016.

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

Table 10.3 Fair value measurement hierarchy for assets

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
2016	**$'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Plant and equipment at fair value	4,768	-	-	4,768
Rolling stock at fair value	110,206	-	-	110,206
Leasehold improvements at fair value	2,543	-	-	2,543
Rolling stock – capitalised improvements at fair value	8,230	-	-	8,230
	Carrying amount as at 30 June 2015	**Fair value measurement at end of reporting period using:**		
2015	**$'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Plant and equipment at fair value	5,702	-	-	5,702
Rolling stock at fair value	128,048	-	-	128,048
Leasehold improvements at fair value	2,520	-	-	2,520
Rolling stock – capitalised improvements at fair value	-	-	-	-

There have been no transfers between levels during the period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10 Property, plant and equipment (continued)

Table 10.4 Reconciliation of Level 3 fair value

2016	Plant and equipment $'000	Rolling stock $'000	Leasehold improvements $'000	Rolling stock – capitalised improvements $'000
Opening Balance	**5,702**	**128,048**	**2,520**	**-**
Additions (disposals)	696	-	533	9,665
Transfers in/(out) of level 3	-	-	-	-
Transfers from work in progress	-	-	-	-
Gains or losses recognised in net result				
Depreciation	(1,630)	(17,842)	(510)	(1,435)
Impairment Loss	-	-	-	-
Subtotal	**4,768**	**110,206**	**2,543**	**8,230**
Gains or losses recognised in other economic flows – other comprehensive income				
Revaluation				
Closing Balance	**4,768**	**110,206**	**2,543**	**8,230**
Unrealised gains/(losses) on non-financial assets	-	-	-	-

2015	Plant and equipment $'000	Rolling stock $'000	Leasehold improvements $'000	Rolling stock – capitalised improvements $'000
Opening Balance	**6,063**	**96,463**	**2,856**	**29,002**
Additions (disposals)	797	-	129	6,214
Transfers in/(out) of level 3	-	27,985	-	(27,985)
Transfers from work in progress	406	-	66	285
Gains or losses recognised in net result				
Depreciation	(1,564)	(9,836)	(531)	(7,516)
Impairment Loss	-	-	-	-
Subtotal	**5,702**	**114,612**	**2,520**	**-**
Gains or losses recognised in other economic flows – other comprehensive income				
Revaluation	-	13,436	-	-
Closing Balance	**5,702**	**128,048**	**2,520**	**-**
Unrealised gains/(losses) on non-financial assets	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10 Property, plant and equipment (continued)

Table 10.5 Description of significant unobservable inputs to Level 3 valuations

2016	Valuation technique	Significant Unobservable Inputs
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
Rolling stock	Depreciated replacement cost	Cost per unit Useful life of rolling stock
Leasehold improvements	Depreciated replacement cost	Cost of improvement Shorter of the remaining term of the lease or the useful life of the improvement
Rolling stock – capitalised improvements	Depreciated replacement cost	Cost per improvement Useful life of capitalised improvement

2015	Valuation technique	Significant Unobservable Inputs
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
Rolling stock	Depreciated replacement cost	Cost per unit Useful life of rolling stock
Leasehold improvements	Depreciated replacement cost	Cost of improvement Shorter of the remaining term of the lease or the useful life of the improvement
Rolling stock – capitalised improvements	Depreciated replacement cost	Cost per improvement Useful life of capitalised improvement

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11 Intangible assets

	Computer software		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Gross carrying amount				
Opening balance	-	-	-	-
Additions	11,125	-	11,125	-
Closing balance	**11,125**	**-**	**11,125**	**-**
Accumulated amortisation				
Opening balance	-	-	-	-
Amortisation of intangible non-produced assets	2,291	-	2,291	-
Closing balance	**2,291**	**-**	**2,291**	**-**
Net book value at end of financial year	**8,834**	**-**	**8,834**	**-**

During the year, the Group capitalised the development its V/One software. Its useful life is four years and will be fully amortised by 2019-20.

Note 12 Other non-financial assets

	2016 $'000	2015 $'000
Prepayments	5,021	3,971
Prepayments	**5,021**	**3,971**

Note 13 Investments

V/Line Corporation does not own any investments with the exception of the controlled entity V/Line Pty Ltd as detailed in Note 1(c).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14 Payables

	2016 $'000	2015 $'000
Current payables		
Contractual		
Trade payables – unsecured	23,906	21,885
Accruals	22,643	22,267
Deferred income	20,793	4,082
Other payables	10,110	8,555
	77,452	**56,789**
Statutory		
GST payable	4,090	2,770
FBT payable	40	44
Other taxes payable	3,882	2,711
Superannuation payable	2,737	1,647
Work cover payable	143	(22)
	10,892	**7,150**
Total payables	**88,344**	**63,939**

The average credit period for related party payables is 30 days. No interest is charged on outstanding payables.

Related party payables		
Amounts payable to related parties are as follows:		
Public Transport Victoria and Vic track	2,637	4,310
	2,637	**4,310**

Terms and conditions of amounts payable to other government agencies vary according to a particular agreement with that agency, as per Note 22.

(a) Maturity analysis of contractual payables

Please refer to Note 17 for the maturity analysis of contractual payables.

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

Please refer to Note 17 for the nature and extent of risks arising from contractual payables.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15 Provisions

	2016 $'000	2015 $'000
Current provisions		
Employee benefits (Note 15(a)): (i)		
Annual leave (Note 15(a)):		
- unconditional and expected to be settled wholly within 12 months(iii)	14,291	14,157
- unconditional and expected to be settled wholly after 12 months(ii)	3,720	3,183
Other leave (Note 15(a)):		
- unconditional and expected to be settled wholly within 12 months(iii)	889	967
Long service leave (Note 15(a)):		
- unconditional and expected to be settled wholly within 12 months(iii)	8,133	7,529
- unconditional and expected to be settled wholly after 12 months(ii)	31,779	28,624
Other provisions – employee related (Note 15 (a))	2,463	2,629
	61,275	57,089
Provisions for on-costs (Note 15(a) and Note 15(b)):		
- unconditional and expected to be settled wholly within 12 months(iii)	3,919	2,902
- unconditional and expected to be settled wholly after 12 months(ii)	4,279	3,275
	8,198	6,177
Total current provisions	**69,473**	**63,266**
Non-current provisions		
Employee benefits (Note 15(a)):(i)		
Long service leave	6,072	6,467
On-costs (Note 15(a) and Note 15(b))	559	507
Total non-current provisions	**6,631**	**6,974**
Total provisions	**76,104**	**70,240**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15 Provisions (continued)

	2016 $'000	2015 $'000
(a) Employee benefits and on-costs [i]		
Current employee benefits		
Annual Leave	18,011	17,340
Long Service Leave	39,912	36,153
Other leave	889	967
Other provisions – employee related	2,463	2,629
Non-current employee benefits		
Long service leave	6,072	6,467
Total employee benefits	**67,347**	**63,556**
Current on-costs	8,198	6,177
Non-current on-costs	559	507
Total on-costs	**8,757**	**6,684**
Total employee benefits and on-costs	**76,104**	**70,240**

(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 as a separate provision.
(ii) These amounts are recorded at present value.
(iii) These amounts are recorded at nominal values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15 Provisions (continued)

(b) Movement in provisions

	Employee Benefits	On-costs	Total
	2016 $'000	2016 $'000	2016 $'000
Opening balance	**63,556**	**6,684**	**70,240**
Net additional provisions recognised and reductions arising from payments/other sacrifices of future economic benefits	5,349	2,213	7,422
Reductions resulting from re-measurement or settlement without cost	-	-	-
Unwind of discount and effect of changes in the discount rate	(1,418)	(140)	(1,558)
Closing balance	**67,347**	**8,757**	**76,104**
Current	61,275	8,198	69,473
Non-current	6,072	559	6,631
	67,347	**8,757**	**76,104**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16 Equity

	2016 $'000	2015 $'000
Accumulated deficit		
Balance at beginning of the year	(36,052)	(33,935)
Net result	(23,370)	(2,117)
Balance at end of the year	**(59,422)**	**(36,052)**
Physical asset revaluation surplus		
Balance at beginning of the year	123,971	114,565
Net increase/(decrease) in Asset revaluation reserve(i)	-	9,406
Balance at end of the year	**123,971**	**123,971**
Hedge reserve		
Balance at beginning of the year	-	-
Net increase/(decrease) in Hedge reserve(ii)	1,397	-
Balance at end of the year	**1,397**	**-**

(i) The physical assets revaluation surplus arises on the revaluation of the "classic fleet" rolling stock.
(ii) The hedge reserve surplus arises from recording the valuation of the fuel hedge.

Note 17 Financial instruments

(a) Financial risk management, objectives and policies

The Group's financial instruments consist of cash and cash equivalents, deposits with banks, fuel hedges, accounts receivable and accounts payable.

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 and financial liability are disclosed in Note 1 to the financial statements.

The main purpose in holding derivative and non-derivative financial instruments is to prudentially manage the Group's financial risks within the Government's policy parameters. The Group did not have any derivative instruments as at 30 June 2015.

The main risks the Group is exposed to through its financial instruments are interest rate risk, commodity risk, foreign currency risk, credit risk and liquidity risk. The Group manages these financial risks in accordance with its financial risk management policy.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17 Financial instruments (continued)

Categorisation of financial instruments

2016	Contractual financial assets/liabilities designated at fair value through profit/loss $'000	Contractual financial assets – loans and receivables $'000	Contractual financial liabilities at amortised cost $'000
Contractual financial assets			
Cash and cash equivalents	-	20,175	-
Trade and other receivables	-	52,921	-
Fuel hedge derivative	1,996		-
Total contractual financial assets	**1,996**	**73,096**	**-**
Contractual financial liabilities			
Trade and other payables	-	-	56,659
Total contractual financial liabilities	**-**	**-**	**56,659**
Net holding gain/(loss) on financial instruments by category			
Interest income	-	575	-
Gain/(loss) on hedge	54	-	-
Total net holding gain/(loss) on financial instruments	**54**	**575**	**-**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17 Financial instruments (continued)

Categorisation of financial instruments (continued)

2015	Contractual financial assets/liabilities designated at fair value through profit/loss $'000	Contractual financial assets – loans and receivables $'000	Contractual financial liabilities at amortised cost $'000
Contractual financial assets			
Cash and cash equivalents	-	26,607	-
Trade and other receivables	-	38,944	-
Fuel hedge derivative	-	-	-
Total contractual financial assets	**-**	**65,551**	**-**
Contractual financial liabilities			
Trade and other payables	-	-	52,707
Total contractual financial liabilities	**-**	**-**	**52,707**
Net holding gain/(loss) on financial instruments by category			
Interest income	-	404	-
Gain/(loss) on hedge	-	-	-
Total net holding gain/(loss) on financial instruments	**-**	**404**	**-**

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

- for cash and cash equivalents and receivables, the net gain/ (loss) is calculated by taking the interest income earned during the year.
- for financial assets and liabilities that are designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in fair value of the financial asset or liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17 Financial instruments (continued)

(b) Market risk

The Group's exposure to market risk is primarily through commodity risk and interest rate risk, while the risk to foreign exchange and equity price risks is low. The risk is the fluctuation in the AUD:USD exchange rate. Objectives, policies and processes used to manage each of these risks are disclosed below.

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. The Group 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.

The Group 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 the Group to significant bad risk, management monitors movement in interest rates on a daily basis.

As at 30 June 2016 and 2015 the Group had no debt or interest bearing liabilities. The exposure to interest rate risk and the effective weighted average interest rates for financial assets at balance dates are as follows:

2016	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets			
Cash and cash equivalents	20,175	-	20,175
Trade and other receivables	-	52,921	52,921
Fuel hedge derivative	-	1,996	1,996
Total financial assets	**20,175**	**54,917**	**75,092**
Weighted average interest rate	1.75%	n/a	
Financial liabilities			
Trade and other payables	-	56,659	56,659
Total financial liabilities	**-**	**56,659**	**56,659**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17 Financial instruments (continued)

Interest rate risk (continued)

2015	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets			
Cash and cash equivalents	26,607	-	26,607
Trade and other receivables	-	38,944	38,944
Fuel hedge derivative	-	-	-
Total financial assets	**26,607**	**38,944**	**65,551**
Weighted average interest rate	2.00%	n/a	
Financial liabilities			
Trade and other payables	-	52,707	52,707
Total financial liabilities	**-**	**52,707**	**52,707**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17 Financial instruments (continued)

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 largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities.

The Group is exposed to commodity price risk in its operation. To reduce the volatility and provide increased certainty over its diesel fuel exposure, the Group has entered into diesel fuel hedges with TCV.

As at 30 June 2016, the Group has monthly diesel fuel hedges maturing until May 2017. 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:

Maturity of notional amounts

	Fixed diesel fuel price		Notional Principal	
	2016 Cents per litre	2015 Cents per litre	2016 $'000	2015 $'000
Less than 1 year	45.7	-	155,831	-
1 to 2 years	-	-	-	-
2 to 5 years	-	-	-	-
			155,831	-

As at 30 June 2016, the diesel fuel hedges had a fair value of $1,995,914. This amount has been recognised in Other Comprehensive Income, net of tax.

Reconciliation of cash flow hedge reserve

	2016 $'000	2015 $'000
Opening balance	-	-
Revaluations to fair value, net of tax	1,451	-
Gain on settlement of hedge transferred to profit or loss	(54)	-
Closing balance, net of tax	1,397	-

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.

The Group did not reclassify any amount from equity to profit or loss during the period due to its diesel fuel hedges being fully effective.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17 Financial instruments (continued)

Foreign currency risk

The Group is exposed to limited foreign currency risk arising from AUD: USD exchange rate fluctuations through its fleet maintenance programs and diesel fuel exposure. The exchange rate risk on the diesel fuel is hedged through the diesel fuel hedge.

(c) Credit risk

Credit risk arises from the contractual financial assets of the Group, which comprise cash and deposits and non-statutory receivables.

The Group's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Group. Credit risk is monitored on a regular basis. The carrying amount of financial assets recorded in the consolidated balance sheet, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral, or other security obtained.

The carrying amount of financial assets recorded in the balance sheet, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral, or other security obtained. The Group's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Group. Credit risk is monitored on a regular basis

Credit risk associated with the Group's financial assets is minimal as the main debtor is the Victorian Government. For debtors other than Government, the Group's policy is to transact with entities that have high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate. In addition, the Group does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. As with the Group's policy for debtors, it only deals with banks with high credit ratings.

Provision of impairment for contractual financial assets is calculated based on objective evidence that the Group will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 90 days overdue, and changes in debtor credit ratings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17 Financial instruments (continued)

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.

Credit quality of contractual financial assets that are neither past due or impaired

	AAA Credit Rating $'000	Other $'000	Total $'000
2016			
Contractual financial assets			
Cash and cash equivalents	20,175	-	20,175
Trade and other receivables	43,923	8,998	52,917
Fuel hedge derivative	1,996	-	1,996
Total contractual financial assets	**66,094**	**8,998**	**75,092**
2015			
Contractual financial assets			
Cash and cash equivalents	26,607	-	26,607
Trade and other receivables	32,558	6,386	38,944
Total contractual financial assets	**59,165**	**6,386**	**65,551**

Ageing analysis of contractual financial assets

			Past due but not impaired				
	Carrying amount $'000	Not past due and not impaired $'000	Less than 1 month $'000	1-3 months $'000	3 months – 1 year $'000	1-5 years $'000	Impaired financial assets $'000
2016							
Receivables							
Trade receivables	36,726	-	27,932	7,207	1,426	-	161
Other receivables	16,356	16,356	-	-	-	-	-
Total	**53,082**	**16,356**	**27,932**	**7,207**	**1,426**	**-**	**161**
2015							
Receivables							
Trade receivables	24,745	12,500	7,113	1,592	3,469	-	71
Other receivables	14,199	14,199	-	-	-	-	-
Total	**38,944**	**26,699**	**7,113**	**1,592**	**3,469**	**-**	**71**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17 Financial instruments (continued)

(d) Fair values

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

Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

Level 2 – the fair value is determined using inputs other than quoted price that are observable for the financial asset or liability, either directly or indirectly; and

Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Group's derivative financial instruments are recorded at fair value at initial recognition and on a recurring basis after recognition. The Group's fair values and net fair values of the derivative instruments are considered to be at Level 2. No other financial assets or liabilities are recorded at fair value.

The carrying amounts of financial assets and financial liabilities approximate their fair values and are shown below:

	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents	20,175	26,607
Trade and other receivables	52,921	38,944
Fuel hedge derivative	1,996	-
	75,092	**65,551**
Financial liabilities		
Trade and other payables	56,659	52,707
Net financial assets	**18,435**	**12,844**

Valuation techniques and inputs used to measure level 2 fair values

	Fair value at 30 June 2016 ($'000)	Valuation technique	Inputs used
Diesel fuel swap hedges	1,996	Income approach using discounted cash flow methodology	Commodity price AUD:USD exchange rates

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17 Financial instruments (continued)

(e) Liquidity risk

Liquidity risk is the risk that the Group would be unable to meet its financial obligations as and when they fall due. The Group manages liquidity risk by closely monitoring forecast cash flows to ensure that adequate funding is maintained at all times. Refer to Note 1(g) and 27 for additional commentary.

The Department has agreed to provide adequate cash flow support through PTV via a Letter of Support to enable the consolidated entity to meet its current and future operational obligations as and when they fall due for a period up to September 2017, should this be required. This assurance from DEDJTR for financial support only applies while the consolidated entity remains in full state ownership.

Maturity analysis of contractual financial liabilities

		Maturity dates				
	Carrying amount $'000	Less than 1 month $'000	1-3 months $'000	3 months -1 year $'000	1-5 years $'000	5+ years $'000
2016						
Payables						
Trade payables	23,906	-	23,763	143	-	-
Accruals	22,643	-	22,643	-	-	-
Other payables	10,110	10,350	-	-	-	-
Total	**56,659**	**10,110**	**46,406**	**143**	**-**	**-**
2015						
Payables						
Trade payables	21,885	-	21,885	-	-	-
Accruals	22,267	-	22,267	-	-	-
Other payables	8,555	8,555	-	-	-	-
Total	**52,707**	**8,555**	**44,152**	**-**	**-**	**-**

(f) Sensitivity analysis

The Group's 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:

- In relation to cash and cash equivalents, the movement of 100 basis points up and down (2015: 100 basis points up and down) in market interest rates, would result in the net result increasing/(decreasing) by $202,000/($202,000) (2015: $266,000/($266,000)).
- In relation to the diesel fuel swap hedges, the movement of 10% up and down in Gasoil 500PPM AUD per barrel would result in no change to the net result as the diesel fuel swap hedges will still be considered effective. Other financial assets and hedge reserve will be increased/(decreased) by $1,706,146/($1,706,146).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18 Cash flow information

(a) Reconciliation of net result for the reporting period to net cash flows from operating activities

	2016 $'000	2015 $'000
Net result for the period	**(23,370)**	**(2,117)**
Non-cash movements		
Depreciation of non-current assets	23,708	19,447
Tax expense/(benefit)	(3,855)	(976)
Movements in assets and liabilities		
(Increase)/decrease in trade and other receivables	(13,977)	2,354
(Increase)/decrease in inventories	(456)	216
(Increase)/decrease in prepayments	(1,049)	207
(Decrease)/increase in trade and other payables	24,405	4,722
(Decrease)/increase in employee benefits	5,864	3,413
Net cash flows from/(used in) operating activities	**11,270**	**27,266**

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet		
Cash at bank	20,012	26,447
Cash on hand	163	160
	20,175	**26,607**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

The names of persons who were responsible persons at any time during the financial year were:

Responsible Ministers

Minister for Public Transport & Employment	The Hon. Jacinta Allan MP	01 July 2015 to 30 June 2016
Treasurer	The Hon. Tim Pallas MP	01 July 2015 to 30 June 2016

Accountable Officer

The persons who held the position of Accountable Officer during the year ended 30 June 2016 were:

Chief Executive Officer	Mr T Taifalos	01 Jul 2015 to 28 Jan 2015
Chief Executive Officer	Mr G Liddle	29 Jan 2016 to 30 June 2016
Acting Chief Executive Officer	Mr B Carolan	01 May 2016 to 31 May 2016

Directors of the Board

The Directors of the parent entity during the year ended 30 June 2016 were:

Ms Jennifer Dawson	Ms Gabrielle Bell
Mr Craig Cook	Ms Kay Macaulay
Mr John Donovan	Mr David Harris

Remuneration

Remuneration received or receivable by the Accountable Officers in connection with the management of the Corporation during the reporting period was in the range of $730,000 - $739,999 ($510,000 - $519,999 in 2014-15). The base remuneration received by the Accountable Officers during the reporting period was in the range of $660,000 - $669,999 ($480,000 - $489,999 in 2014-15).

The total remuneration paid or payable to all Directors during the reporting period was $266,508 ($224,303 in 2014-15).

The number of Directors whose total remuneration from the Corporation was within the specified bands were as follows:

Income band	2016 No.	2015 No.
$0 - $ 9,999	-	1
$10,000 - $19,999	-	-
$20,000 - $29,999	-	-
$30,000 - $39,999	5	5
$40,000 - $49,999	-	-
$50,000 - $59,999	-	1
$60,000 - $69,000	-	-
$70,000 - $79,999	1	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19 Responsible persons (continued)

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

The Chair of the Group was appointed on 1 July 2016. The Chair's husband was the sole director and shareholder of KFBL Pty Ltd trading as Bendigo Coachlines. Bendigo Coachlines provides standby coach services on an as needs basis to V/Line, and has done so for a period in excess of 10 years. The business was sold on 1 June 2016 and ceased to be a related party from that date.

The Chair declared this interest prior to her appointment and a protocol for any engagement of Bendigo Coachlines was established by the Board. The protocol confirms that decisions relating to the engagement of Bendigo Coachlines are undertaken by V/Line's management and operational staff in the ordinary course of business, and as such is not a matter for Board approval. During the 2015-16 financial year, the Group paid Bendigo Coachlines $1,053,950.

Note 20 Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities)

(a) Remuneration of executives

The number of Executive Officers, other than the Accountable Officer and Directors and their total remuneration during the reporting period is shown in the table on Page 106 in their relevant income bands. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period. Executives receive free public transport throughout Victoria which is not included as remuneration in this note as it is not material in value.

Several factors affected total remuneration payable to executives over the year. A number of executive officers resigned in the past year, and this has had a significant impact on total remuneration figures disclosed due to the inclusion of accrued annual leave and long service leave balances paid out on resignation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 20 Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities) (continued)

(a) Remuneration of executives (continued)

Income band	Total remuneration		Base remuneration	
	2016 No.	2015 No.	2016 No.	2015 No.
$100,000 - $109,999	-	-	-	1
$110,000 - $119,999	-	1	-	-
$120,000 - $129,999	-	-	-	1
$130,000 - $139,999	-	1	-	-
$150,000 - $159,999	-	-	1	-
$200,000 - $209,999	-	-	-	2
$220,000 - $229,999	-	2	-	1
$250,000 - $259,999	-	1	-	2
$280,000 - $289,999	-	2	2	-
$300,000 - $309,999	2	-	-	-
$320,000 - $329,999	1	-	1	2
$340,000 - $349,999	-	-	1	-
$350,000 - $359,999	-	2	-	-
$360,000 - $369,999	1	-	2	-
$380,000 - $389,999	2	-	-	-
$460,000 - $469,999	1	-	-	-
Total number of executives	**7**	**9**	**7**	**9**
Total annualised employee equivalent (AEE) [(i)]	**6**	**7**	**6**	**7**
Total amount	**$2,509,597**	**$2,318,191**	**2,433,923**	**$2,102,970**

[(i)] Annualised employee equivalent is based on working 38 ordinary hours per week over the 52 weeks for a reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 20 Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities) (continued)

(b) Payments to other personnel (i.e. contractors with significant management responsibilities)

The following disclosure is made in relation to other personnel of the Group, i.e. contractors charged with significant management responsibilities.

Expense band	Total expenses (exclusive of GST)	
	2016 No.	2015 No.
$150,000 - $159,999	-	1
Total expenses (exclusive of GST)	**-**	**$154,228**

Note 21 Remuneration of auditors

	2016 $'000	2015 $'000
Amounts received or due and receivable by the auditors for auditing the group:		
- audit of the financial statements – Victorian Auditor General's Office	100	110
	100	**110**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22 Related party disclosures

Related party	Nature of transaction	Terms and conditions	2016 $	2015 $
Payments				
Public Transport Victoria (PTV)	Provision of network marketing and customer information services including operation of a call centre	In accordance with the Services Agreement	4,975,145	3,284,345
Victorian Rail Track	Provision of communication services	In accordance with agreement between the parties	15,333,911	17,413,605
Receipts				
Public Transport Victoria (PTV)	Provides funding to the Corporation	In accordance with the Services Agreement	440,820,945	369,848,112
Public Transport Victoria (PTV) and Department of Economic Development, Jobs, Transport and Resources (DEDJTR)	Reimbursement of project expenditure and other miscellaneous expenses	In accordance with agreement between the parties	164,131,157	188,665,017
Victorian Rail Track	Management fee for rent collection	In accordance with agreement between the parties	-	15,079
Victorian Rail Track	Network access charges & reimbursement of project expenditure & other miscellaneous expenditure	In accordance with agreement between the parties	609,383	1,032,101

All amounts disclosed above are inclusive of GST.
The parent company did not have any related party transactions within the wholly-owned group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23 Commitments for expenditure other than public private partnerships

Commitments for future expenditure primarily relate to the lease of tool of trade, vehicles and plant and equipment. There are also commercial lease agreements in relation to tenancy at 628 Bourke Street Melbourne and 750 Collins Street Docklands which expire in 2018 and 2019 respectively and include fixed rate increases of 4.25% and 3.5% at the dates specified in the agreements. The total operating lease expense for the year was $3.9 million (2015: $4.2 million).

Under its fleet maintenance contract, the Group is required to pay a fixed management fee to the supplier which is indexed annually by CPI.

Commitments for minimum contractual payments are payable as follows:

Commitments payable

Nominal values	2016 $'000	2015 $'000
Capital commitments payable		
Less than 1 year	798	2,832
Total capital commitments	**798**	**2,832**
Operating and lease commitments payable		
Less than 1 year	7,794	6,541
Longer than 1 year but not longer than 5 years	13,455	15,799
5 years or more	-	585
Total operating lease commitments	**21,249**	**22,925**
Other commitments payable		
Less than 1 year	3,960	3,960
Longer than 1 year but not longer than 5 years	7,920	11,880
5 years or more	-	-
Total other commitments	**11,880**	**15,840**
Total commitments (inclusive of GST)	**33,927**	**41,597**
Less GST recoverable from the ATO	3,084	3,781
Total commitments (exclusive of GST)	**30,843**	**37,816**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24 Superannuation

Employees of the Corporation are entitled to receive superannuation benefits and the Group 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 Group 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 discloses the State's defined benefit liabilities in its disclosure for administered items.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the consolidated comprehensive operating statement of the Group.

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the Group are as follows:

	Paid contribution for the year		Contributions outstanding at year end	
Fund	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**
Defined benefit plans[i]				
State Superannuation Fund – revised and new	6,022	5,768	518	525
Transport Superannuation Fund	2,023	1,920	175	172
Total defined benefit plans	**8,045**	**7,688**	**693**	**697**
Defined contribution plans				
Vic Super	6,868	5,581	613	756
Various other	4,190	3,691	388	567
Total defined contribution plans	**11,058**	**9,272**	**1,001**	**1,323**
Total superannuation plans	**19,103**	**16,960**	**1,694**	**2,020**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 25 Contingent assets and contingent liabilities

There are several claims arising from freight derailments that have been referred to V/Line's insurers who are dealing with the claims.

There have been minor claims made over time by customers arising out of incidents on V/Lines' network. These claims are dealt with in the ordinary course of business and are referred to V/Line's insurers as the matters arise.

V/Line's operations are subject to various environmental regulations under both Commonwealth and State laws. We take active steps to improve our environmental management systems and ongoing internal procedures, to help discharge obligations under these laws. In 2015-16 there were two incidents of alleged vegetation disturbance, with V/Line investigating the incidents and where necessary working with the Department of Environment, Land, Water and Planning (DELWP) to put in place a remediation plan.

A Clean Up Notice was issued in June 2015 under section 62A of the Environment Protection Act 1970 (Vic) (EPA Act) relating to legacy contamination at Ararat was issued in June 2015 and remained open throughout 2015-16. The contamination exists within a small section of rail land adjacent to the disused rail line between Ararat and Maryborough near the Grano Street level crossing, and is the result of historical gasworks activities on the adjacent site.

The current Clean Up Notice required the submission and Auditor verification of a clean-up plan for the site detailing remediation methodology, timelines and objectives. V/Line has recently satisfied the requirements of this notice. The EPA issued a revised clean-up notice for the actual remediation component of the project, which the Group received in July 2016.

It was found that a waste water treatment plant at the fuel point in the Southern Cross Yard discharges a minor volume of stormwater to a sewer. The relevant water authority has been advised. To ensure full compliance with discharge requirements, V/Line is progressing with a project to improve the treatment system to ensure treated water is able to be redirected to stormwater.

There are no material contingent assets.

Note 26 Subsequent events

The financial statements were authorised for issue on 17 August 2016.

There were no other matter 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 the Group in subsequent financial years.

Note 27 Economic dependency

The Group provides public transport services to rural and regional Victoria and is also responsible for the management and maintenance of the regional rail network. The provision of these services is subsidised by the State Government of Victoria. Without the Letter of Support the Group could not continue as a going concern. The subsidy requirements for the period up to September 2017 have been approved by the State.

Note 28 Dividends

No dividends were paid, declared or recommended during the year, or subsequent to the year end.

STATEMENT OF CORPORATE INTENT

Mission	Vision	Values
"To deliver customer-focused, safe and efficient regional passenger transport and rail freight access"	"we connect"	• Safety underpins everything we do • Think customer • Act with integrity • Raise the bar • Deliver as one V/Line

Strategic Priorities	Strategic Objective
Customer Growth	Structure a regional transport model and fleet strategy that responds to growth and meets customer expectations
Connecting Communities	Position V/Line as crucial to 'connecting' regional and rural communities
Health Safety and Environment	'Destination Zero' • Zero rail and coach incidents • Zero harm to people • Zero damage to the environment
Customer Service	Continuously drive the customer-centric business model and leverage capability
Financial Management	Deliver optimum value and sustainable financial outcomes for Shareholders.
Achieving Excellence	Build organisational capability and invest in our people to achieve exceptional performance

V/Line Corporation was established as a statutory rail corporation in July 2003 and was declared a State owned business corporation pursuant to the *State Owned Enterprises Act 1992* on 14 October 2008. It therefore reports to both the Minister for Public Transport and the Treasurer and is governed by both the *Transport Integration Act 2010* and the *State Owned Enterprises Act 1992*.

V/Line also leases and maintains the regional rail network and provides access to rail freight operators.

Key Performance Indicators include: Customer Satisfaction, Serious Injury Frequency Rate (SIFR); Signal Passed At Danger (SPADs); Service Delivery, Financial Performance and Patronage Levels.

V/Line prepares its accounts in accordance with generally accepted accounting principles incorporating the Australian Accounting Standards, the *Financial Management Act 1994* and the requirements of Public Transport Victoria (PTV).

In accordance with the requirements of V/Line's Services Agreement, regular reports are provided to PTV covering all aspects of V/Line's delivery of its obligations under this agreement. As a State business corporation, V/Line also provides performance reports to the Department of Treasury and Finance and the Department of Economic Development, Jobs, Transport and Resources.

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