Annual Report

2018 – 2019

V/Line

Table of Contents

Responsible Body's declaration

6 September 2019

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

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

Dear Ministers

In accordance with the *Financial Management Act 1994*, I am pleased to present the Annual Report of V/Line Corporation for the year ending 30 June 2019.

Yours faithfully

Gabrielle M Bell

Gabrielle Bell
Chair

SECTION ONE

Year in Review

Purpose, Vision, Mission, Values

Purpose

To provide a connected and bright future for Victorians

Vision

A modern, high performing railway and coach service for all

Mission

Connecting Victoria by empowering our people to be their best

Values

Accountable

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

Be bold

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

Integrity

We are honest, ethical, and transparent

Respectful

We value others and accept their differences

Be our best

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

Chair's Report

It is my pleasure to present the V/Line 2018-19 Annual Report.

The past 12 months have been a time of profound growth and change for V/Line, with substantial progress and positive steps on our journey of transformation.

Passenger numbers have again grown to their highest on record, with a record 22.4 million passenger trips taken on V/Line services over the past financial year. These figures reflect an increase of more than seven per cent on the previous 12 months, and almost 55 per cent over the past five years.

That kind of sustained growth requires significant investment, and the Victorian and Federal Government's $1.75 billion Regional Rail Revival program – as well as continued investment in new rolling stock and additional services – will ensure V/Line can keep pace with the growing number of regional Victorians who rely on our services.

As V/Line moves more people, introduces more services and completes more infrastructure upgrades than ever before, we have not lost sight of our commitment to service delivery. On-time performance has improved network-wide over the past year – a positive outcome for passengers through extended periods of works and renewal across the network.

V/Line has also made significant strides in system modernisation, as legacy systems and rolling stock are progressively upgraded to deliver a better passenger experience.

Whilst we recognise that V/Line has achieved a great deal this year, there is still much more to do and of course, always room for improvement. We remain committed to pushing for further improvements in performance – enabled through the ongoing transformation of all parts of our organisation. Key to this is our strategy to deliver a sustainable long term operating model which can deliver an outstanding regional rail service across our extensive network.

As V/Line continues to move forward in its transformation journey, it's also important we do not lose sight of what's most important – the people who make it all happen. We now have more than 2,000 staff across all areas of the business with record levels of driver recruitment to enable the ongoing growth in our services. Employee engagement has continued to improve over the past year, thanks to work across the organisation to enable a constructive V/Line culture where staff feel valued and empowered to deliver on strategic priorities.

On behalf of the Board, I would like to express my gratitude to the entire V/Line team for their unwavering dedication to connecting regional communities to Melbourne, and each other.

I have thoroughly enjoyed my time as Chair of V/Line and I am delighted that Gabrielle Bell has been appointed Chair from 1 September 2019. In my new role as Head of Transport Services, I look forward to assisting V/Line build on this year's achievements and continue to deliver a better regional public transport network for all Victorians – now and into the future.

Jeroen Weimar
Chair

CEO’s Report

It’s been another significant year at V/Line as we continue our transformation as an organisation.

I have now been in the role of Chief Executive Officer for two-and-half years and in that time, we have grown from an organisation with just over 1,500 staff to more than 2,000.

V/Line is the fastest growing regional railway in Australia and we have a critical role to play in delivering a safe, high-performing and reliable service to our ever-increasing number of passengers.

Our focus is to keep pace with this growth by continually evolving as an organisation. We need to modernise our systems and our operations to meet current and future demand, a journey that is now well underway.

There were two million passenger journeys across the V/Line rail network in May this year, a new record for regional train trips in a single month. V/Line passengers travelled on a train 2,007,166 times for the month, which was 217,000 more journeys than the same time last year.

The most significant patronage growth has been on the south-west corridor, accounting for 75 per cent of the total increase in trips during the past financial year. Wyndham Vale Station experienced a 20 per cent increase in passenger trips followed by Tarneit Station with a 17 per cent increase.

In addition to the increasing demand for our train services, V/Line also recorded 1.3 million coach trips over the past 12 months.

While we’re seeing record patronage growth and investment in the network, we’ve also seen an uplift in performance over the past 12 months. Our network-wide punctuality increased by 2.8 per cent in 2018-19, which is a huge achievement considering we are moving more passengers.

For the past financial year, we recorded a network-wide punctuality result of 86.8 per cent with a controllable result of 91.1% since V/Line began tracking controllable and uncontrollable incidents this year. The 86.8% punctuality result represents a 2.8 per cent increase on the previous 12 months.

For reliability, we delivered 96.4 per cent of scheduled services during the past financial year. Pleasingly the result exceeds our reliability target of 96 per cent but is a slight drop on the 2017-18 financial year, when we achieved 97 per cent.

Passengers have already started realising the benefits of the Regional Rail Revival program. VLocity trains began operating on the Bairnsdale line for the first time in 2018-19 as part of the Gippsland Line Upgrade, improving both reliability and comfort for passengers. A total of 10 additional weekly services have also been introduced, as part of stage one works on the Shepparton Line Upgrade and construction work continues to progress on other major Regional Rail Revival projects across the network.

V/Line crews have also been working around the clock to complete critical maintenance over the past financial year. The $81.5 million Annual Works Plan is helping to ensure the ongoing upkeep of each of our five regional lines.

Some of our biggest packages of work include $18 million on the Warrnambool line to replace 45,000 sleepers, $10 million for improvement works on the Seymour and Shepparton lines and $9 million in essential maintenance on the Gippsland line.

The rollout of new VLocity carriages is progressing and helping to meet the growing demand on our busiest services. The Victorian Government's original order of 48 new VLocity carriages has now been delivered and we are rolling out the additional order of 39 carriages. These are helping to improve capacity and have been allocated where they are needed most.

We introduced a new V/Line timetable in August 2018 and again in March this year. The development and implementation of a new timetable requires a lot of hard work and attention to detail. These new timetables resulted in additional train services, giving passengers more choice on when to travel. We also made minor changes to some existing services, which subsequently led to performance improvements.

Our people continue to be the driving force behind what we do and I am committed to encouraging staff to be the very best they can be. This means having the right people in the organisation, which includes bringing in new people and expertise, as well as offering new opportunities to existing staff.

As V/Line continues to grow and transform as an organisation, it's important we recruit more people to join our team. We now have a total of 2190 V/Line staff, recruiting an extra 226 employees in various roles over the past financial year, including drivers, signal maintenance technical apprentices, engineering graduates, track and signal maintenance workers and project related positions.

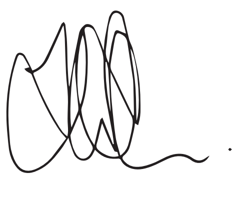
I'm also really proud and passionate about the role V/Line continues to play in communities across the state. I thoroughly enjoy getting out and about to talk with staff, passengers, stakeholders and communities about the important contribution V/Line makes in connecting and supporting regional Victoria.

Safety continues to be at the forefront of everything we do and we're working hard to reduce critical risks and improve safety controls within the organisation. This work has led to reductions in level crossing incidents, the overall number of passive level crossings and temporary speed restrictions across the network.

We have also seen a drop in the Signals Passed At Danger rate over the past year. This measure is a leading safety indicator and V/Line is currently one of the highest performing rail operators in Australia for this. Our Serious Injury Frequency Rate has also dropped as a result of our ongoing focus to improve safety. While ultimately we're aiming to achieve zero safety incidents, this is a positive step in the right direction and will continue to be a key priority.

It's an exciting time for the transport industry and V/Line as an organisation. We've taken significant steps forward over the past 12 months and we will continue our sharp focus on delivering a safe, high-performing and reliable service for our growing number of passengers now and into the future.

I would like to thank the Board of Directors, the Executive Leadership Team and all V/Line staff for their hard work and dedication over the past year. In particular, I extend a personal thank you to Jeroen Weimar for his encouragement, support and leadership. During his time as Chair of the V/Line Board he has helped strengthen V/Line's relationships with key stakeholders. I am pleased to welcome Gabrielle Bell as the new Chair of the V/Line Board from 1 September 2019.



James Pinder
Chief Executive Officer

Manner of Establishment and Responsible Ministers

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

V/Line is governed by the *Transport Integration Act 2010*, which sets out its objectives and functions, and the *State-Owned Enterprises Act 1992*. It operates as a not-for-profit corporation.

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 2018 to 30 June 2019.

Department of Transport

We're part of Victoria's integrated transport portfolio, led by the Department of Transport.

On 1 July 2019 VicRoads and Public Transport Victoria (PTV) came together with the Department of Transport to create a properly integrated transport department – in step with other global cities.

The new Department of Transport gives us a singular, integrated focus on tackling the big issues – from improving buses in growing suburbs to making it easier to walk and cycle places and embrace new technology.

This landmark shift will ensure we're better equipped to respond to the changing demands on our transport network so we can stay connected to jobs and each other, whichever way we travel.

The new integrated Department of Transport will plan and operate the transport system in a way that matches the people and freight that travel on it – focused on where people and goods need to go, rather than what mode we use.

V/Line Corporation and V/Line Pty Ltd

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

V/Line has an independent Board appointed in accordance with the Transport Integration Act.

V/Line is the sole shareholder of V/Line Pty Ltd. On 17 February 2018 all the employees, assets, rights and liabilities were transferred from V/Line Pty Ltd to V/Line in accordance with the *Transport Integration Amendment (Head, Transport for Victoria and Other Governance Reforms) Act 2017* and Ministerial approval. The V/Line Board has appointed a liquidator to undertake a member's voluntary liquidation of V/Line Pty Ltd.

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

Nature and Range of Services Provided

V/Line's Role

V/Line is an operating agency as part of Victoria's integrated transport portfolio, delivering services under a Partnership Agreement with the Department of Transport (and other key contracts).

V/Line is:

- An accredited operator of passenger services including rail and coach
- A freight access provider
- A maintainer of infrastructure, rolling stock and project deliverer
- A key contributor towards Victoria's large infrastructure projects.

About V/Line – Service Provided

V/Line, as a brand, has provided public transport services to regional Victoria for over 30 years.

Each week, V/Line schedules more than 1,997 train services between Melbourne and:

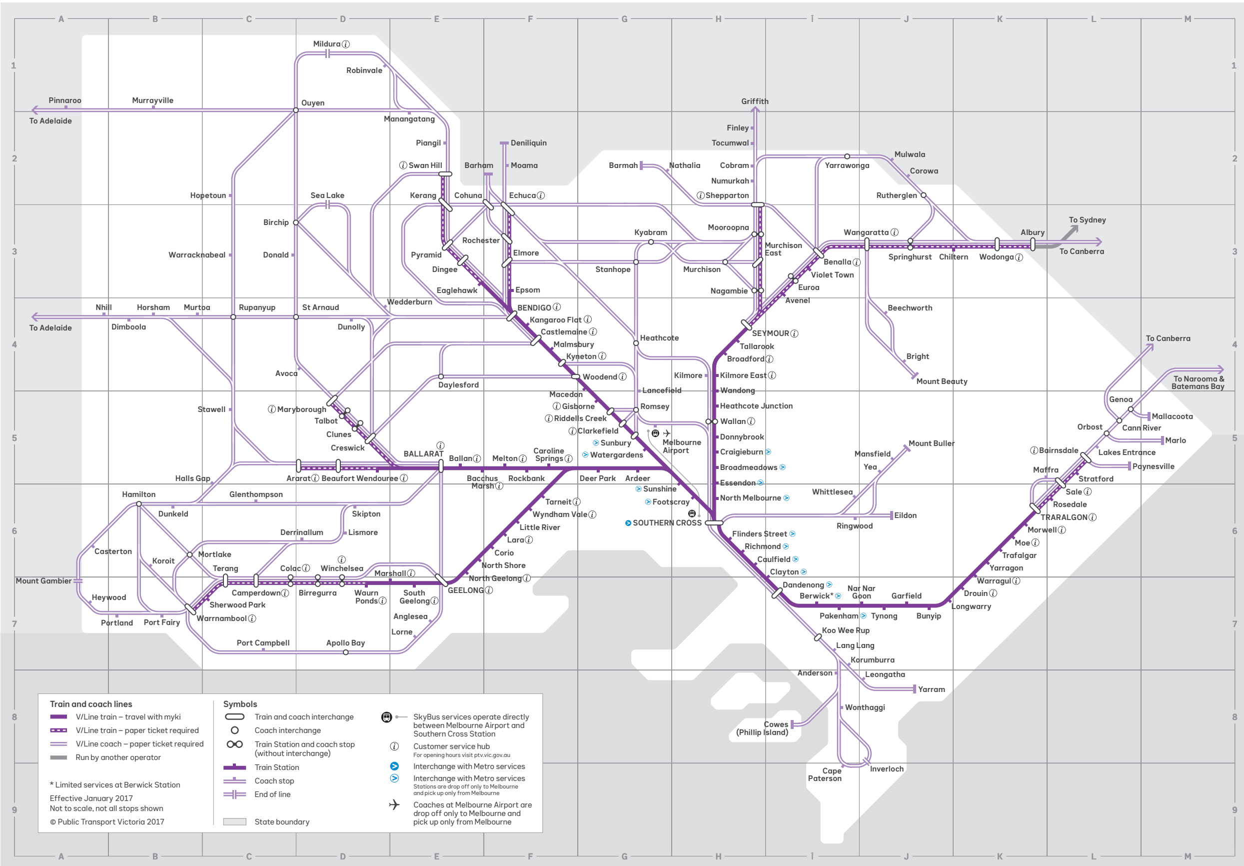
- Geelong and Warrnambool
- Ballarat, Maryborough and Ararat
- Bendigo, Swan Hill and Echuca
- Seymour, Shepparton and Albury
- Traralgon, Sale and Bairnsdale.

More than 1,462 V/Line-branded coach services connect with the rail network and serve regional Victorian communities. Some of our coach services also link Victoria with South Australia, New South Wales and the Australian Capital Territory. Private sector operators provide all V/Line-branded coach services under the management of V/Line.

As well as being a public transport operator, V/Line also leases, provides access to and maintains over 3,520 kilometres of rail track used by passengers and freight rail operators.

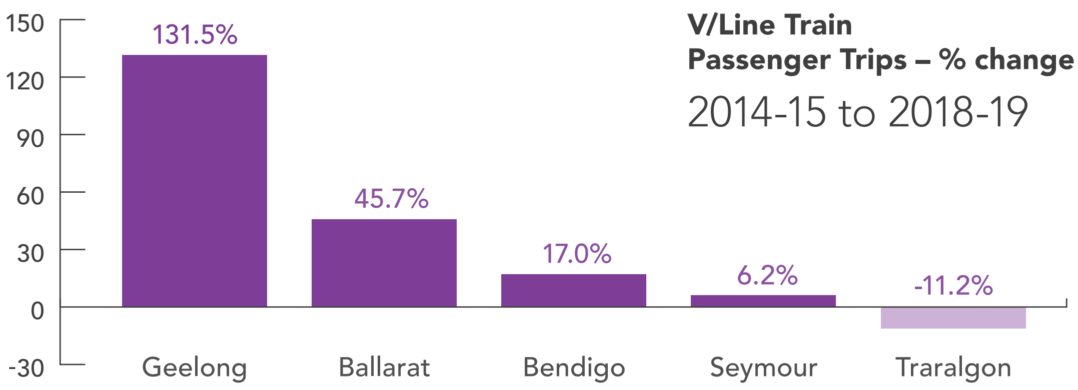
V/Line is a major employer with a workforce of 2,190 including many who live and work in regional Victoria.

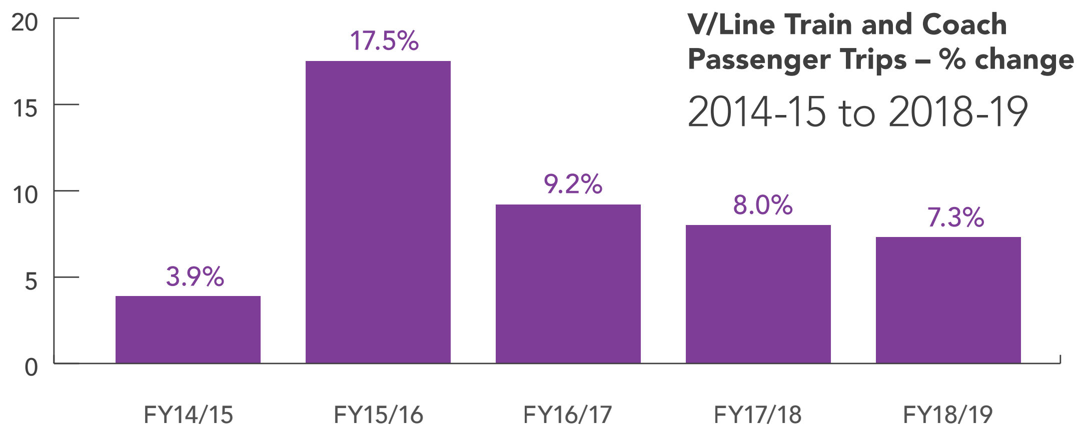
Passenger Network Map

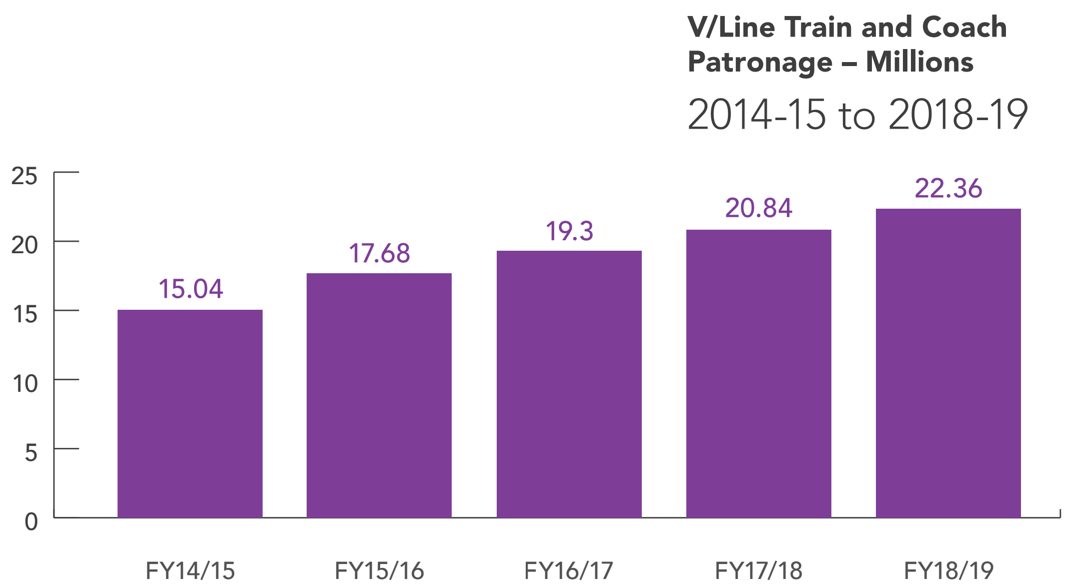


Albury	K3
Anderson	Î8
Anglesea	E7
Apollo Bay	D7
Ararat	D5
Ardeer	G5
Avenel	Î3
Avoca	D4
Bacchus Marsh	E5
Bairnsdale	L5
Ballan	E5
Ballarat	E5
Barham	F2
Barmah	G2
Beaufort	D5
Beechworth	J4
Benalla	Î3
Bendigo	F4
Berwick	Î7
Birchip	C3
Birregurra	D7
Bright	J4
Broadford	H4
Broadmeadows	H5
Bunyip	J7
Camperdown	C7
Cann River	L5
Cape Paterson	Î9
Caroline Springs	F5
Casterton	A6
Castlemaine	F4
Caulfield	H6
Chiltern	K3
Clarkefield	G5
Clayton	Î6
Clunes	D5
Cobram	H2
Cohuna	E2
Colac	C6
Corio	F6
Corowa	J2
Cowes (Phillip Island)	Î8
Craigieburn	H5
Creswick	D5
Dandenong	Î7
Daylesford	E4
Deer Park	G5
Deniliquin	F2
Derrinallum	D6
Dimboola	B4
Dingee	E3
Donald	C3
Donnybrook	H5
Drouin	K7
Dunkeld	B6
Dunolly	D4
Eaglehawk	E3
Echuca	F2
Eildon	J6
Elmore	F3
Epsom	F3
Essendon	H5
Euroa	Î3
Finley	H2
Flinders Street	H6
Footscray	H6
Garfield	J7
Geelong	E7
Genoa	L5
Gisborne	G5
Glenthompson	C6
Halls Gap	C5
Hamilton	B6
Heathcote	G4
Heathcote Junction	H5
Heywood	A7
Hopetoun	C2
Horsham	B4
Inverloch	J9
Kangaroo Flat	F4
Kerang	E2
Kilmore	H4
Kilmore East	H4
Koo Wee Rup	Î7
Koroit	B6
Korumburra	Î7
Kyabram	G3
Kyneton	F4
Lakes Entrance	L5
Lancefield	G4
Lang Lang	Î7
Lara 4	F6
Leongatha	J8
Lismore	D6
Little River	F6
Longwarry	J7
Lorne	E7
Macedon	G4
Maffra	K5
Mallacoota	M5
Malmsbury	F4
Manangatang	E2
Mansfield	J5
Marlo	M5
Marshall	D6
Maryborough	D5
Melbourne Airport	G5
Melton	F5
Mildura	D1
Moama	F2
Moe	K6
Mooroopna	H3
Mortlake	B6
Morwell	K6
Mount Beauty	J4
Mount Buller	J5
Mount Gambier	A7
Mulwala	J2
Murchison	H3
Murchison East	H3
Murrayville	B1
Murtoa	B4
Nagambie	H3
Nar Nar Goon	J7
Nathalia	G2
Nhill	A4
North Geelong	E6
North Melbourne	H6
North Shore	E6
Numurkah	H2
Orbost	L5
Ouyen	D1
Pakenham	Î7
Paynesville	L5
Piangil	E2
Pinnaroo	A1
Port Campbell	C7
Port Fairy	B7
Portland	B7
Pyramid	E3
Richmond	H6
Riddells Creek	G5
Ringwood	Î6
Robinvale	D1
Rochester	F3
Rockbank	F5
Romsey	G5
Rosedale	L6
Rupanyup	C4
Rutherglen	J2
Sale	L6
Sea Lake	D2
Seymour	H4
Shepparton	H2
Sherwood Park	C7
Skipton	D6
South Geelong	E7
Southern Cross	H6
Springhurst	J3
St Arnaud	D4
Stanhope	G3
Stawell	C5
Stratford	L5
Sunbury	G5
Sunshine	H6
Swan Hill	E2
Talbot	D5
Tallarook	H4
Tarneit	F6
Terang	C7
Tocumwal	H2
Trafalgar	K6
Traralgon	K6
Tynong	J7
Violet Town	Î3
Wallan	H5
Wandong	H4
Wangaratta	J3
Warracknabeal	C3
Warragul	K6
Warrnambool	B7
Watergardens	G5
Waurn Ponds	D7
Wedderburn	D4
Wendouree	D5
Whittlesea	Î6
Winchelsea	D6
Wodonga	K3
Wonthaggi	J8
Woodend	G4
Wyndham Vale	F6
Yarragon	K6
Yarram	J8
Yarrawonga	Î2
Yea	J5

Patronage

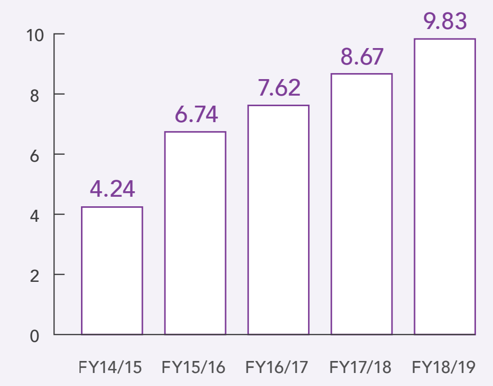

V/Line Train
Passenger Trips – % change
2014-15 to 2018-19
150
120
90
60
30
0
-30
131.5%
45.7%
17.0%
6.2%
-11.2%
Geelong
Ballarat
Bendigo
Seymour
Traralgon

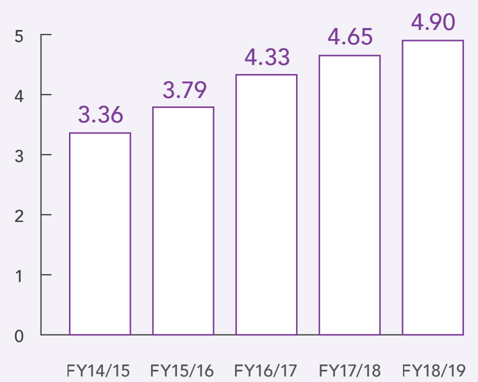

V/Line Train and Coach
Passenger Trips – % change
2014-15 to 2018-19
20
15
10
5
0
3.9%
17.5%
9.2%
8.0%
7.3%
FY14/15
FY15/16
FY16/17
FY17/18
FY18/19

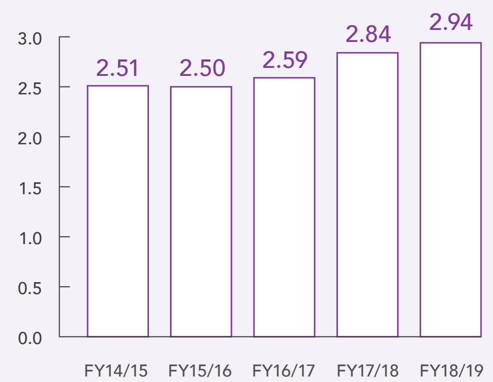

V/Line Train and Coach
Patronage – Millions
2014-15 to 2018-19
25
20
15
10
5
0
15.04
17.68
19.3
20.84
22.36
FY14/15
FY15/16
FY16/17
FY17/18
FY18/19

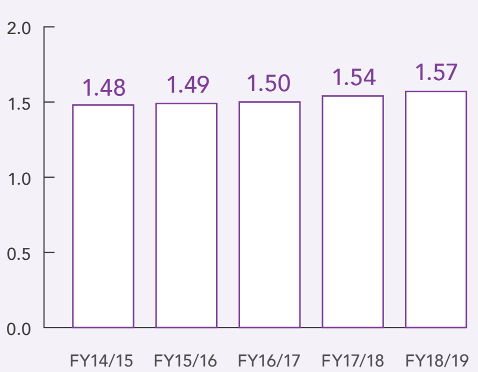
Rail Patronage by Line – Millions

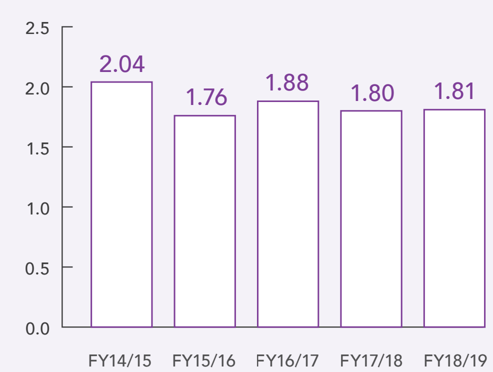
2014-15 to 2018-19











Performance Overview

Facts And Figures

	FY 18-19	FY 17-18
Total customer trips (rail and coach)	22,360,928	20,838,396
Rail passenger trips	21,043,314	19,513,458
Coach passenger trips	1,317,614	1,324,938
Tickets sold* (* Does not include myki ticket sales.)	1,874,968*	2,056,525*
Stations		
Total number of stations	94	94
Customers		
Overall customer satisfaction – trains	74.9	75.1
Overall customer satisfaction – coaches	82.3	82.4
Number of customer information enquiries	247,134	295,488
Number of feedback cases	16,998	17,754
Number of on-train consultation sessions with passengers	5	5
Compulsory compensation paid to passengers for V/Line not meeting on-time targets (complimentary ticket value)	$237,706	$156,921
Farebox revenue	$102.9 million	$101.8 million
Farebox (per cent breakdown)	64 per cent full fare	62 per cent full fare
	36 per cent concession	38 per cent concession
Subsidy per passenger	$24.10	$23.93
Finance		
Total income	$0.9 billion	$1.1 billion
Total expenses	$1.0 billion	$1.1 billion
Income tax benefits/(expenses)	($1.7) million	$2.1 million
Net result	($30.4) million	$0.2 million
Employees		
Full-time staff	1,901	1,720
Total staff	2,190	1,964

Facts And Figures

Fleet

	FY 18-19	FY 17-18
VLocity carriages	237	225
Locomotives	33	31
Loco-hauled carriages	133	133
Sprinters (single unit)	21	21

Health, Safety and Environment

	FY 18-19	FY 17-18
SIFR (Serious Injury Frequency Rate) = LTI (Lost Time Injury) and MTI (Medically Treated Injury) per million hours worked	18.96	27.89
Signals passed at danger (SPAD) per million km (Human Factors + Technical)	2.55	3.76†
Signals passed at danger (SPAD) per million km (Human Factors only)	0.85	1.61†
Energy Intensity – Megajoules per passenger kilometre (MJ/Pass km)	0.68	0.87

† Changed due to an incident reclassification (moving from manual to automated).

Service Delivery

	FY 18-19	FY 17-18
Reliability overall (commuter and long-distance services, average monthly performance)	96.4	97.0
Reliability – commuter	96.1	96.9
Reliability – long-distance	98.2	97.4
Punctuality – commuter (on time to five minutes)	87.2	84.3
Punctuality – long-distance (on time to 10 minutes)	84.3	81.9
Number of services – commuter	76,869	80,976
Number of services – long-distance	14,099	14,176
Number of services that left on time from originating station	78,511	80,604

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

Operations

Improving performance and the passenger experience has been a key priority over the past 12 months and will continue to be our focus.

V/Line's Operations senior leadership team has undergone a number of changes in order to accommodate a fast-growing and complex operation.

New General Managers were appointed to lead the Train Services and Network Services teams and a number of new roles were also introduced in the Operations team during 2018-19, to help improve performance.

The creation of a Performance and Analytics team has enabled V/Line to gain a better understanding of the factors that affect punctuality and reliability, and implement improvement initiatives.

We are working closer than ever with the Department of Transport and Metro Trains to better integrate metropolitan and regional services and look at ways to reduce delays on the metropolitan shared sections of the network. This collaboration has led to improved access for V/Line trains on the northern, north-east and eastern corridors when travelling through the metropolitan network.

Across the network over the past financial year, 86.8 per cent of services arrived at their destination on time compared with 84 per cent in 2017-18. The 2.8 per cent increase is due to a more concentrated focus on bringing in new initiatives to lift performance.

For reliability over the past financial year, 96.4 per cent of scheduled services were delivered across the network. The result exceeds the reliability target of 96 per cent, but is slightly down on the previous 12 months, when it was 97 per cent. The main contributing factor was a significant increase in animal strikes and related bio-wash requirements which reduces the availability of fleet.

V/Line performance has historically dropped during the summer months due to the impact of extreme heat on our tracks and fleet. Extensive planning and resilience initiatives were implemented for the 2018-2019 summer, resulting in an increase of five per cent in punctuality and 0.2 per cent in reliability compared to the 2017-18 summer. The increase comes despite significantly more extreme heat days than the previous summer period.

The introduction of a team of V/Line duty managers has improved the real-time operational leadership of our Integrated Operations Centre. Duty managers are responsible for helping with real-time coordination of day-to-day operations, including better communication with staff and passengers and managing the response to unplanned disruptions and events.

V/Line's Business Resilience team continued its train familiarisation sessions in 2018-19, teaming up with emergency services to help crews safely respond to rail incidents.

We retained certification against the International Customer Service Standard in 2018-19 and as patronage continues to reach record levels, the Customer team plays a key role in improving the experience for passengers.

Overall customer satisfaction with train services was 74.9, compared with 75.1 for the previous financial year and for coach services, it was 82.3 compared with 82.4 in 2017-18.

Front line staff have been actively involved in various initiatives to help lift performance, including having a more visible presence at Southern Cross Station.

The active platform management initiative has improved the interaction between staff and passengers at V/Line's busiest station and has also helped ensure more trains depart on time, particularly during peak periods.

V/Line updated its mobile app to improve the usability for passengers in 2018-19. The update provides improved service details and platform information for Southern Cross Station, to better help passengers with their travel needs. Virtual train tours of V/Line's different fleet types were launched at the end of last year. Passengers can visit the V/Line website and use the interactive technology to familiarise themselves with the different fleet types.

The Operations team successfully delivered extra services and support for special events, including during the AFL finals series, Spring Racing Carnival and Australian International Air Show. Over the course of the Australian International Air Show weekend, V/Line delivered 70 additional train services to and from the event, plus 65 shuttle services from Lara Station to Avalon Airport.

The Customer team launched V/Line's We wear your words campaign in May, reminding passengers to treat staff with respect. The campaign aims to support staff against aggressive and anti-social behaviour and send a message that everyone has a right to feel safe and secure in their work place.

Automatic External Defibrillators were installed at 29 staffed stations across the network in October. The defibrillators were installed at stations along the Ballarat, Bendigo, Shepparton, Seymour, Geelong and Gippsland corridors.

V/Line hosted two interactive coach operator forums in 2018-19, with coach operators coming together from across the state. With 1.3 million trips recorded on V/Line coaches over the past 12 months, the group looked at the current coaching plan and identified opportunities to make improvements.

The development of the Accessibility Action Plan 2019-2022 is underway. The three-year plan sets out initiatives for improving access on the V/Line network for passengers with accessibility challenges. V/Line also hosted quarterly meetings for the Accessibility Reference Group to encourage involvement and gain feedback on various projects.

V/Line successfully planned for and coordinated service changes during upgrade and improvement works across the state, including major Regional Rail Revival works on the Geelong, Ballarat and Gippsland corridors. During major works on the Geelong line in April, almost 270 replacement coaches were used each day to keep passengers moving.

More than 140 events were held at stations across the network to thank passengers for their patience and understanding during these service changes, and to 'Meet the Managers'.

Asset Management

V/Line carried out $81 million in improvements and maintenance across the rail network in the past financial year. The careful planning and scoping of the Annual Works Program ensures the ongoing upkeep of the network, helping us to offer a safe, high-performing and reliable service to passengers. It is also essential in helping to manage the record growth and increasing demand on the network.

A total of $10 million in essential maintenance on the Seymour and Shepparton lines in August was one of the most significant packages of works delivered as part of the Annual Works Program for 2018-19. The works involved the replacement of the station pit at Donnybrook, a platform renewal, bridge deck replacement, signal upgrades, sleeper and culvert replacements and mud hole removals along the line.

Starting in September, crews worked around the clock to replace 45,000 sleepers on the Warrnambool line. The $18 million package of works saw timber sleepers replaced with concrete along the 100-kilometre stretch of track between Warrnambool and Colac.

Another $9 million in essential maintenance was completed on the Gippsland line in December. Crews completed track and signal upgrades, mud hole removal and works in the Traralgon station yards and Warragul Station. The works were completed ahead of schedule and were timed to coincide with upgrades in the metropolitan area to minimise disruption to passenger services.

A total of $8.4 million in essential maintenance works were completed on the Bendigo corridor in January. A major part of the works package included a new platform at Kerang Station to improve passenger safety when boarding and alighting trains.

V/Line crews completed more than $5.5 million in improvement works in six days on the Geelong line in April. The construction blitz involved more than 150 workers and included track, bridge, signal and station works, as well as continued construction on new train stabling in Wyndham Vale.

With increasingly more maintenance work being completed at night to minimise the disruption to passenger services, V/Line has increased its number of full-time night-shift workers over the past 12 months. The increase in night-shift workers is for both track and signal maintenance completed across the network on each of the five rail corridors.

The safe reduction in temporary speed restrictions has been a key focus over the past few years. For most of 2019, there has been less than five kilometres of temporary speed restrictions (TSRs) on the V/Line network, reducing TSRs to a historic low. A lot of work has gone into the progressive removal of these restrictions, including the introduction of an Annual Tamping Plan in August 2018. The progressive removal of temporary speed restrictions has helped improve V/Line performance for passengers due to trains being able to return to line speed through these sections of track.

The improved management of heat speed restrictions on the V/Line network has also been a key focus over the past 12 months. Despite several days of extreme heat, there was no loss of track alignment reported for the entire network during the 2018-19 summer period.

The identification and removal of hazardous trees has also been a focus over the past 12 months. New processes have been set up to better manage hazardous trees on the network, to not only identify trees that may need to be removed due to potentially falling onto the rail line but to also clear foliage to improve signal sighting for drivers. This involves ensuring all safety and environmental factors are managed and that appropriate permits are received to carry out works.

V/Line has worked closely with Bombardier Transportation to introduce a Visualised Management Process, as part of the daily functionality of the maintenance contract. In turn, this has been rolled out to third party contractors to improve the delivery of major examinations and availability of the fleet.

The Asset Management team has rolled out an improved cleaning program for classic fleet and VLocity trains. V/Line prides itself on the cleanliness and presentation of its trains and this new program is helping to deliver the highest standards of cleanliness for passengers. This includes completing major cleans of VLocity units overnight, which is helping to maintain fleet availability.

The rollout of improved heating and cooling on classic fleet trains has been a focus in 2018-19. The installation of the new heating and cooling units has led to fewer cancellations due to faults, improving the reliability of V/Line services. The project is also helping to ensure a more comfortable journey for passengers. The Fleet team also introduced modified software in the Heating, Ventilation and Air Conditioning (HVAC) control system of VLocity trains, which resulted in a reduction of almost 80 per cent in HVAC defects during the 2018-19 summer period.

Head-end power upgrades on N-Class locomotives have been completed over the past 12 months, improving the reliability of the system and all Y-Class locomotives have undergone a revamp, including new livery.

A total of 15 new signal maintenance apprentices and trainees also joined V/Line last year. This was the highest intake of signal maintenance apprentices and trainees since 1984. The group is currently completing its Certificate 4 in Electrical Rail at V/Line. This is a new approach to training and makes V/Line the first rail operator in Australia to offer this type of training in-house.

Freight

V/Line leases, provides access to and maintains over 3,520 kilometres of rail track used by passengers and freight rail operators.

We are committed to improving the efficiency of rail freight operations and in 2018-19, appointed a dedicated General Manager Freight to oversee operations across all V/Line freight activities and work closely with freight operators, cargo owners and stakeholders.

V/Line has also assisted with the introduction of two extra services each week between Mildura and Melbourne, the delivery of the new Maryvale siding project, as well as supported and coordinated the establishment of new sidings and terminals at North Shore in Geelong.

In April, we completed major upgrade works on the Mildura line to improve conditions for services on the freight corridor. The $460,000 upgrade works between Dunolly and Yelta included track resurfacing along the 350-kilometre section, replacement of sleepers and the construction of two new culverts.

Program and Delivery

The Program and Delivery team is primarily responsible for delivery, operational and strategic advice to project teams and clients, undertaking design and documentation reviews, coordinating V/Line's input into project plans, procedures and strategies, ensuring operational readiness and effective change management and managing the delivery of V/Line's Annual Works Program.

The team delivered $81.5 million in improvements across the network in 2018-19, as part of the Annual Works Program. The delivery of this work is essential in ensuring V/Line can offer a safe, high-performing and reliable service to passengers. It's also critical in helping V/Line keep pace with the record growth and demand on the network.

Within Program and Delivery, several interface teams were established to oversee the staged delivery of the Victorian and Federal government's $1.75 billion Regional Rail Revival program. V/Line continues to work closely with Rail Projects Victoria as part of the program and extensive progress has been made on upgrades on regional passenger train lines in Victoria during the 2018-19 financial year.

Passengers are already enjoying the benefits of the Shepparton Line Upgrade, with 10 additional weekly services being introduced as a result of stage one works. V/Line delivered additional stabling facilities at Shepparton, to enable the additional services, and the works were fast-tracked to deliver benefits for passengers sooner. Construction on the Donnybrook and Wallan station upgrades is also underway to improve safety, access and comfort for passengers.

V/Line completed level crossing upgrades, as part of the half-a-billion-dollar Gippsland Line Upgrade to enable VLocity trains to travel to Bairnsdale for the first time in 2018. A total of seven crossings were upgraded from passive to active and the introduction of the VLocity trains is improving the reliability of services and ensuring a more comfortable journey for passengers.

Contractors have been appointed to design and construct a new rail bridge over the Avon River in Stratford on the Gippsland line. The project is expected to be completed in late 2021 and will enable trains to travel up to 90km/h, improving journey times for passengers.

Work on the half-a-billion-dollar Ballarat Line Upgrade also progressed significantly in 2018-19. As part of the projects' construction alliance, V/Line completed and commissioned the new Maddingley stabling facility, which was a major milestone for the project. Construction of the track duplication, station upgrades and passing loops will be completed by the end of this year, boosting reliability and enabling more frequent services along the line.

Rail Projects Victoria is in the process of appointing a contractor to design and build the Warrnambool and Geelong line upgrades. V/Line is assisting with planning work for the projects, which will bring more frequent and reliable services to passengers in the state's south-west and help pave the way for VLocity trains to Warrnambool. As part of the project, 12 level crossings on the Warrnambool line will be upgraded from passive to active.

The Australian Rail Track Corporation (ARTC) is delivering upgrades to the North East line, with early works to remove mudholes well underway. ARTC is in the process of appointing a contractor to deliver the project and V/Line is providing technical advice and assistance as part of the upgrade.

Works continued on the Safer Country Crossing program in 2018-19, with upgrades to 25 level crossings and 14 pedestrian crossings across the state, significantly improving safety for trains, vehicles and pedestrians at critical locations. The upgrades have also resulted in the safe removal of temporary speed restrictions at the crossings, improving the performance of trains travelling through these sections of track.

V/Line also upgraded the remaining 14 level crossings from passive to active on the freight line between Maryborough and Ararat in 2018-19. The crossings were built and commissioned in-house and have significantly improved safety for freight trains and communities along the line.

The fit-out of the entire VLocity train fleet with mobile signal boosters was completed in September, providing improved mobile coverage for passengers on the Bendigo, Geelong, Ballarat, Traralgon and Seymour lines. The team worked to minimise any disruption to services during installation and were able to fast track the rollout. The project was part of the Victorian Government's $18 million Regional Rail Connectivity Project and has been well received, with passengers now experiencing more reliable mobile reception.

Network Development and Integration

The Network Development and Integration team was formed at the start of 2019 and provides advice on the strategic development of the regional rail network and future operations. It helps ensure V/Line is represented from project concept to operation. The team is charged with setting V/Line's long-term operational direction, specifically supporting V/Line's Program and Delivery team with a longer-term strategic focus for the network.

The team is responsible for the long-term strategic direction of the V/Line network, development of business cases, operational analysis and modelling, building conceptual and operational timetables, leading timetable change programs and contributing to other major public transport plans and projects.

V/Line introduced two new timetables in the past financial year. The August 2018 and March 2019 timetable changes resulted in additional train services being added for passengers, as well as changes to some existing services.

The new timetable in August resulted in improved journey times on the Warrnambool line and included the extension of three Geelong services to Waurn Ponds. A new coach timetable was also introduced in August, resulting in 44 extra weekly coach services. In March this year, more services were added on the Shepparton and Seymour lines to give passengers on the north-east corridor more options on when to travel.

The Victorian Government allocated $5 million in the State Budget to build a new bio-wash facility in the Bendigo station precinct. The new facility will be used to inspect and clean trains after animal strikes and other incidents. V/Line currently has access to only one bio-wash and introducing a new facility will allow more trains to be washed faster and returned to service sooner. This will result in fewer carriage reductions and help boost the reliability of services for passengers.

The Victorian Government's Stabling and Maintenance Strategy was a focus for V/Line in 2018-19. The strategy focuses on ensuring V/Line has adequate stabling and maintenance facilities, to accommodate the growth of the network and demand for services now and into the future.

Corporate

A key priority in 2018-19 was planning and coordinating the development of a strategy for a long-term sustainable funding model for the organisation. This plan for V/Line will help ensure all parts of the organisation are well placed to manage future growth and deliver the services needed to support Victoria's liveability and prosperity.

In the State Budget handed down in May this year, the Regional Rail Sustainability program funding was allocated to the Department of Transport to lead a joint project with V/Line, to develop a business case for the long-term funding model. This will focus on positioning V/Line to cater for future growth in patronage and demand for services, as well as continuing to improve performance and modernise operations in the years ahead.

V/Line continued to roll out a technology modernisation program in 2018-19. The program was established to further align investment with better governance across the organisation. It involves a transition from ageing legacy systems to a Work Force Management program, with many manual operating procedures being replaced with real-time, fully-interfaced systems.

The supplier performance management framework was further consolidated in 2018-19, to ensure astute contract management for key suppliers. This has delivered improved cost management and effective contract performance.

V/Line is currently moving its head office from 750 Collins Street to new offices in Flinders Street. Acquiring a new office space to meet the requirements of the growing business was a focus in 2018-19 and will involve the relocation of more than 500 staff in the months ahead. The move will require a high-level of planning and coordination to ensure minimal disruption to daily proceedings.

Community Partnerships

V/Line has been a major partner of AFL Victoria since 2003, sponsoring the V/Line Cup and V/Line Umpire Academies to support the development of regional junior footballers and umpires. In 2016, the partnership was extended to include the Youth Girls competition, which is played at the same time as the V/Line Cup.

More than 550 young people from across regional Victoria participated in the 2018 V/Line Cup in Gippsland. The under-15 competition is an opportunity for boys and girls to play at the highest level and is often a stepping stone to a professional career. This year there were 17 V/Line Cup alumni drafted to the AFL and AFLW. The week-long tournament also generated $2.1 million in economic benefits to the Latrobe Valley region.

V/Line has supported the Doxa Youth Foundation since 1976 by providing free travel for disadvantaged and low-socioeconomic schools to attend Doxa camps in Malmsbury and Melbourne. More than 2,100 students from 52 schools were supported with free travel to attend the Doxa camps in 2018-19.

V/Line also supports the Doxa Cadetship Program to assist young people from socially and financially disadvantaged backgrounds, providing them the opportunity to complete a cadetship at V/Line. A total of 11 Doxa cadets are currently being mentored at V/Line and in 2019, another two cadets joined the team.

Since 2014, V/Line has supported Beacon Foundation's Work Readiness program by sponsoring 12 sessions across regional Victoria. The sessions are designed to prepare and motivate students for a successful transition from education to employment. More than 60 V/Line staff and 240 regional students have participated in the work readiness sessions over the past financial year.

V/Line sponsored the bi-annual Castlemaine State Festival for the sixth year in 2019. V/Line was the Major Transport Partner of the event, which attracts more than 53,000 people to the town.

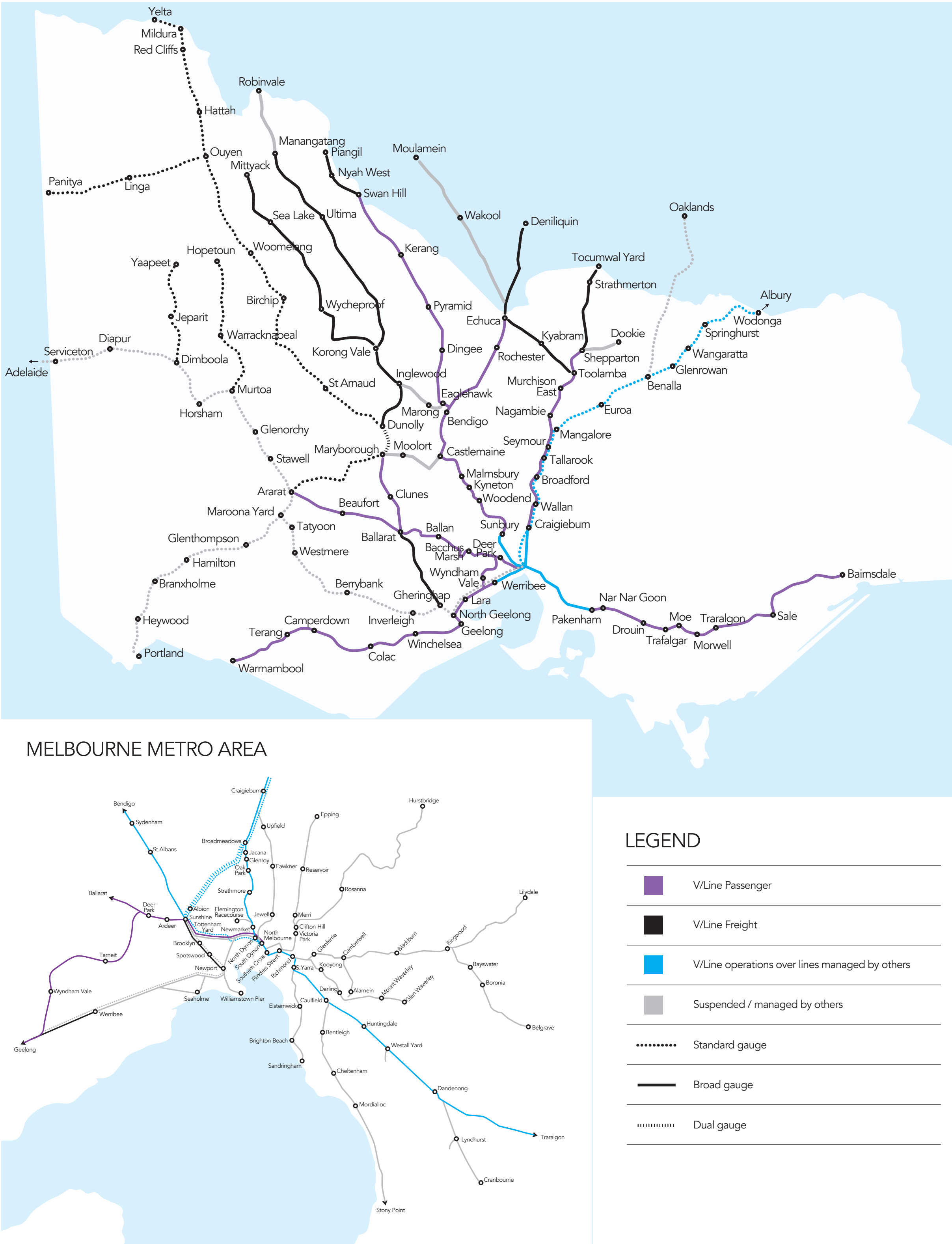
In partnership with Keep Victoria Beautiful, the Stationeers program continued to support beautification activities at 37 V/Line railway stations. V/Line has been supporting the volunteer program since 2005 and Wangaratta Stationeers celebrated 20 years of volunteering in 2018-19.

V/Line continues its long-standing partnership with Travellers Aid Australia by supporting volunteer programs, training, travel support and promotional activities. The 10-year partnership helps to ensure Travellers Aid volunteers are on hand to help passengers with their travel needs at Southern Cross, Flinders Street and Seymour stations.

V/Line also supported the Breast Cancer Network Australia in 2018 by offering free travel to the Field of Women event in August. More than 500 participants from across regional Victoria travelled on V/Line services to the MCG for the event, honouring women and their families battling breast cancer.

V/Line's support for regional Victorian communities continues to grow and strengthen each year. It is something that V/Line is proud of and passionate about. The Community Partnerships team will look to further enhance existing partnerships in 2019-20, whilst also looking for new opportunities to offer support.

Victorian Rail Network Map



Performance Reporting – Financial

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

Five year financial summary	2019	2018	2017	2016	2015
Income from government	749,942	898,880	624,880	521,584	467,568
Total income from transactions	931,822	1,069,907	778,628	675,142	618,774
Total expenses from transactions	962,053	1,075,631	780,757	700,727	621,061
Net result from transactions	(30,231)	(5,724)	(2,129)	(25,585)	(2,287)
Net cash flow from operating activities	(41,675)	81,762	3,397	11,270	27,266
Total assets	210,268	333,041	219,912	230,394	225,354
Total liabilities	176,920	265,465	157,478	164,448	137,435

V/Line exceeded its financial targets in 2018-19, with Earnings Before Interest, Tax, Depreciation and Amortisation and cash reserves above budgeted levels. The result demonstrates the work that has been undertaken across the business with astute contract management, leading to financial efficiencies and improved service performance across many key suppliers. A financial reform program lifted financial accountability at all levels at a time when the organisation is experiencing significant growth in an increasing complex operating environment.

Total income and expenditure reduced in 2018-19 compared to the prior year mainly due to the phasing of V/Line's activity on the Murray Basin Rail Project.

The net result from transactions, a loss of $30.2 million was worse than budget due to higher non-cash leave entitlement charges.

The net result from transactions compared to the 2017-18 result shows a ($24.5 million) difference. This is due to the 2017-18 result being favourably impacted by a reclassification of $17 million of budgeted operating expenditure to capex, non-cash leave entitlement charges being $5 million lower than this year and a more favourable Operating EBITDA of $6 million.

The net cash outflow from operating activities was $41.7 million in 2018-19, compared to a net cash inflow of $81.8 million in 2017-18. The cash outflow in 2018-19 reflects the utilisation of advanced funding received for the Murray Basin Rail Project in 2017-18 with overall cash held by V/Line reducing from $68.3 million to a closing balance of $7.0 million.

Total Assets of $210.3 million have reduced by $112.8 million on 2017-18 levels primarily driven by the lower cash balance of $61.2 million and lower receivables of $50.4 million. Receivables were higher in the prior year primarily reflecting the timing/completion of funded works and associated billing.

SECTION TWO

Governance and organisational structure

Organisation structure and corporate governance arrangements

Leadership team
as at 30 June 2019

V/Line Board

Chief Executive Officer

James Pinder

EGM Operations	**EGM Corporate Governance (Acting)**	**EGM Asset Management**	**CFO and EGM Business Services**	**EGM Program and Delivery**
Paul D'Alessio	Rebecca Northeast	Alex Panayi	Albert Giorgini	Colin Taylor
Operations: network and train control, short term operational planning, train services (drivers), customer station operations, customer experience and feedback, time tabled coach services, security, revenue protection, emergency management and business continuity planning.	Corporate Governance: Board governance, secretariat to the Board, legal, insurance and integrity.	Asset Management: maintains and provides access to rail track and infrastructure (from signalling to station and depot buildings) and rolling stock including planning maintenance, renewal and construction activities to optimise whole of life cost of assets and to meet asset availability targets.	Business Services: finance, budgeting and accounting, procurement services, payroll, ICT.	Program and Delivery: network infrastructure project interface (e.g. RRR, RPV and LXRP), delivery of the renewal and construction network infrastructure annual works plan (projects).

EGM People	EGM Network Development and Integration	EGM Corporate Planning and Risk	EGM Health, Safety and Environment	EGM Corporate Affairs
Elaine Seckold	Jonathan McKeown	Brendan Geary	Dean Matthews	Daniel Hoare
People: culture change and leadership, learning and capability including providing accredited training, workplace relations, recruitment.	Network Development and Integration: V/Line long-term operations planning, participation in DoT strategy and planning, master timetable development.	Corporate Planning and Risk: corporate strategy and planning, risk assurance and audit, PTV contract management and reporting, enterprise project management office, information security and management.	Health, Safety and Environment: rail safety accreditation, integrated safety management system, occupational health and safety and environmental management.	Corporate Affairs: Ministerial liaison, internal and inter-agency communications and stakeholder management.

Board role

The Board has overall responsibility for the corporate governance of V/Line and V/Line Pty Ltd, respectively. The 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 Board are set out in the V/Line Board Charter. In accordance with this charter, the Board conducts a regular review of its performance and identifies areas for improvement.

Board composition

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

Board of Directors as at 30 June 2019

Jeroen Weimar – Chair

(Since 1 July 2018)

Jeroen was appointed Chair of the V/Line Board from 1 July 2018. As Chair, Jeroen provides oversight of V/Line's strategic direction and service delivery to the thousands of Victorians who rely on the regional network every day.

As at 30 June 2019 Jeroen was also the Chief Executive Officer of Public Transport Victoria (PTV). He joined PTV in 2015 as Executive Director, Performance & Contract Management and was appointed CEO in 2016. On 1 July 2019 Jeroen was appointed Head of Transport Services, Department of Transport to oversee the management of Victoria's public transport and road network.

A graduate of the London School of Economics, Jeroen first began his career in management consulting, working with clients in the United Kingdom, Europe and the United States. He then held several high-profile roles over ten years with Transport for London (TfL) including Chief of Staff and Chief Operating Officer (Surface Transport). Following his time with TfL, Jeroen served as Managing Director, UK Transport for Serco Group plc, and then Chief Operating Officer – UK Bus at FirstGroup plc.

Craig Cook – Deputy Chair

(Since 1 July 2015)

Craig has senior executive experience in government, public and private organisations. In addition, he has over 15 years of experience in both government and publicly-listed boards including the boards of I M Medical Pty Ltd, Goulburn-Murray Water, Rural Finance Corporation, VicSuper, VicSuper Ecosystem Services and the Port of Hastings Development Authority. He holds a Bachelor of Economics degree from Monash University.

Gabrielle Bell – Director

(Since 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, VicSuper Pty Ltd and InLife Independent Living Ltd.

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

Kay Macaulay – Director

(Since 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 18 years.

John Donovan – Director

(Since 1 July 2015)

John is the Managing Director of AFM Investment Partners, a director of R Financial (applying for a banking licence), a director of a public hospital and a responsible manager of an Australian Financial Services Licence.

John is a former director of Gippsland Water and Adminpartners. He was a member of Trustee Australia's managed funds compliance committee. 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.

Rachel Thomson – Director

(Since 1 July 2017)

Rachel has more than 20 years' experience working in Australia and internationally in senior roles in risk management and insurance.

Rachel is currently a Non-Executive Director of Central Highlands Water and her previous executive roles involved analysis of business strategy, financial performance, corporate governance processes and risk management of corporations in Australia and the United States.

Rachel holds a Bachelor of Science degree from the University of Melbourne and is a graduate of the Australian Institute of Company Directors.

Independent Member: Audit, Finance & Risk Committee

John Gibbins

(Independent Chair 1 November 2017 to 31 May 2019 Independent Member since 1 June 2019)

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

John has significant experience working with the Government sector and Australian based and international publicly listed corporations. He is currently a consultant to MinterEllison and is a member of the audit committee for the Emergency Services Telecommunication Authority as well as a Board member of the Wheeler Centre. John is a Fellow of the Institute of Company Directors and holds a Bachelor of Commerce degree from the University of Melbourne.

Committee Membership and Roles

During the period 1 July 2018 to 30 June 2019, the Board committees of V/Line comprised the Audit, Finance and Risk Committee; the People and Governance Committee; the Safety, Security, Health and Environment Committee; and the Customer, Communication & Performance Committee.

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 enterprise risk management systems. The committee oversees internal and external audit activities.

Members as at 30 June 2019 were Rachel Thomson (Chair), John Gibbins (Independent Member), Jeroen Weimar, John Donovan and Gabrielle Bell.

Number of meetings held during the year: Five

People and Governance 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 2019 were Craig Cook (Chair), Kay Macaulay and John Donovan.

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 related safety, security, health and environment risk management.

Members as at 30 June 2019 were Gabrielle Bell (Chair), Jeroen Weimar and Craig Cook.

Number of meetings held during the year: Three

Customer, Communication and Performance Committee

Assists the Board in carrying out its oversight responsibilities in relation to customer and brand strategy and additionally since October 2018 communication and operational performance strategy.

Members as at 30 June 2019 were: John Donovan (Chair), Kay Macaulay and Rachel Thomson.

Number of meetings held during the year: Two

Other Reporting

Access to information

Directors of V/Line and V/Line Pty Ltd are entitled to full access to information required 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 and, on request, to documents held by the entity.

Indemnification of officers

During the financial year, V/Line insured all directors and officers of V/Line and V/Line Pty Ltd 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.

Board and committee meeting attendance

V/Line Corporation	Board Meetings		Special Purpose Meetings	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Jeroen Weimar, Chair	8	8	1	1
Craig Cook	8	8	1	1
Gabrielle Bell	8	7	1	1
John Donovan	8	7	1	1
Kay Macaulay	8	8	1	1
Rachel Thomson	8	8	1	1

V/Line Pty Ltd	Board Meetings		Special Purpose Meetings	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Jeroen Weimar, Chair	1	1	1	1
Craig Cook	1	1	1	1
Gabrielle Bell	1	1	1	1
John Donovan	1	1	1	1
Kay Macaulay	1	1	1	1
Rachel Thomson	1	1	1	1

Committees	People and Governance		Audit, Finance and Risk	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Jeroen Weimar	N/A	N/A	5	3
Craig Cook	4	4	N/A	N/A
Gabrielle Bell	N/A	N/A	5	5
John Donovan	4	3	5	4
Kay Macaulay	4	4	N/A	N/A
Rachel Thomson	N/A	N/A	5	5
Independent Chair to 31 May 2019 Independent Member since 1 June 2019			Eligible to attend	Number attended
John Gibbins			5	5

Committees	Safety, Security, Health and Environment		Customer, Communication and Performance	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Jeroen Weimar	3	2	N/A	N/A
Craig Cook	3	3	N/A	N/A
Gabrielle Bell	3	3	N/A	N/A
John Donovan	N/A	N/A	2	2
Kay Macaulay	N/A	N/A	2	2
Rachel Thomson	N/A	N/A	2	2

Health and Safety

The 2018-19 year saw further improvement in V/Line's Health, Safety and Environment (HSE) performance. The Destination Zero strategy continued to provide the framework, initiatives and risk-based guidance to manage health, safety and environment risks and improve V/Line's safety culture. V/Line's HSE aspiration remains unchanged – that is to strive for zero rail and coach incidents, zero harm to people and zero damage to the environment.

A key priority for 2018-19 was to continue the focus on critical risks and the necessary steps for improving controls to eliminate or reduce them. V/Line applies a risk-based approach (critical risk thinking) to HSE management. This approach ensures that high and significant risks are constantly reviewed and improved as necessary, so far as is reasonably practicable. This approach supports the risk processes to ensure they remain reliable and repeatable. A focus on critical risk thinking therefore is essential in ensuring high-consequence incidents are minimised.

Level crossing incidents are an example of high-consequence potential risk and there has been a sustained reduction in level crossing incidents over the past 12 months. There were no reported train and vehicle collisions at passive level crossings on the passenger network in the past financial year, with the last reported incident occurring in May 2017.

The decrease is due to more level crossings being upgraded from passive to active with an additional 13 crossings upgraded bringing the total down to 84 (approximately 40 per cent reduction since 2014). Other measures included vegetation removal and improved sighting work at crossing locations across the state. Risk-based measures, such as temporary speed restrictions for trains, have also been applied at individual crossings where sighting distances are not able to be improved.

The safety of the V/Line network has also benefited from extensive track condition improvements. The safe removal of temporary speed restrictions due to track condition has been a joint focus for the Asset Management and HSE teams. The safe removal of the temporary speed restrictions has also helped improve performance due to trains being able to return to line speed through these sections.

A 'Just and Fair Culture' has been adopted by V/Line for several years and this has ensured that incident investigations do not look for 'blame' and focus strongly on how the system 'allowed' the error to occur. This inclusive approach has led to significant reduction in HSE outcomes as root causes are identified and actions taken to improve the 'system' so errors are not repeated.

As examples, the SIFR (Serious Injury Frequency Rate – incidents per million work hrs), has decreased again during the year by 32 per cent, with the non-stress trauma result down over 40 per cent. This continues the downward trend over the past three years, where the rate has reduced by more than 50 per cent. This decrease has been due to sustained focus on controls to better manage risks as well as increased awareness among staff.

The SPAD rate has declined overall by 32 per cent from the previous year with the human factor actual occurrence number (i.e. not normalised) reducing from 25 to 11, with five months Human Factor SPAD free. The current Human Factor SPAD rate of less than 1 event per million kms is amongst the lowest in the Australian rail industry.

The HSE team also developed a new Safety Leadership Program following a series of design workshops involving a broad cross section of staff. The program is targeted at front line supervisors and managers to improve their skills in managing safety at the front line, whilst ensuring the current positive safety performance is sustained. This is a multi-layer program commencing 2019-20.

To ensure full visibility and active management of V/Line's risks, and oversight of the HSE strategy, there is a comprehensive governance framework. This governance is provided by the V/Line Board Safety, Security, Health and Environment Committee; the senior management HSE Council; the HSE leadership team Assurance Review Committee; the workforce and management OHS committee meetings; and frontline safety toolbox talks and pre-starts.

Focused Destination Zero initiatives in the 2018-19 financial year included:

- review of HSE positive performance indicators, inline with V/Line Safety Management System
- reinvigoration and development of HSE Dashboards
- selection and training of 40 chemical management administrators to transition to online chemical management tool and process
- design phase completed for a front-line manager Safety Leadership Program to be rolled out in 2019-20
- Health and Safety Representative (HSR) engagement program launched with two workshops conducted in 2019
- an OHS critical risk 'Lifesaver' refresh program developed with online video campaign
- on-going risk simplification framework and processes
- enhanced, targeted HSE communications (over 100 articles produced and distributed)
- reinvigoration of post injury welfare management with a greater focus on minimising time off post incident by offering meaningful or modified alternative duties
- key risk initiatives such as enhanced hazardous tree and vegetation management plans and manual handling committees
- continuation of Operational Awareness Training with 444 front line staff completing the training during the year (1074 staff now completed). This is based on the airline industry 'Crew Resource Management' program which has been adapted for rail.

V/Line also has a coordinated Signals Passed At Danger (SPAD) reduction and management strategy for this critical railway risk. In recognition of this work, V/Line has been nominated for the 2019 Australian Rail Association annual safety award.

For 2018-19 the SPAD strategy included:

- further development and utilisation of the SPAD risk ranking assessment tool to prioritise signals in terms of SPAD risk to enable a risk-based approach to safety improvement and investment in mitigation such as TPWS (train stop if signal passed at danger)
- TPWS installation at Marshall station – complex installation at a high risk multi-SPAD location
- conducting investigations into each SPAD to determine and address contributing factors, including formalised competency assessment plans for drivers involved in SPAD events
- Human Factor interviews included as part of every SPAD investigation
- SPAD risk awareness activities such as targeted alerts and one-to-one supervisor briefings on SPAD causes and prevention
- targeted seasonal campaigns around the holiday period resulting in the lowest December SPAD performance in recent years
- research into the factors contributing to SPADs occurring during Empty Car and Shunt moves (which contribute to a disproportionately high number of SPAD events), and addressing the identified contributing factors
- continued rolling out of the Professional Driving Guide, which incorporates SPAD reduction strategies
- development of a SPAD Portal to go live in late 2019 which will allow driver-based commentary footage of irregular shunt moves
- adoption of ONRSR revised categorisation and better understanding throughout business of root cause investigations and just culture outcomes.

This year V/Line implemented a number of initiatives to decrease trespasser incidents, including:

- ongoing identification of trespass hot spots with targeted campaigns in collaboration with Victoria Police
- delivery of an educational program to schools in the Eastern region with attendance at community days to explain rail safety and associated risks
- changes in security patrols to actively patrol high incident locations on the South Western corridor
- implementation of the V/Line Incident Response Vehicles manned by Authorised Officers during peak service times to be deployed at key locations.

V/Line continues to work proactively with WorkSafe to ensure our obligations are met and to resolve all workplace matters efficiently and effectively in collaboration with the workforce.

V/Line also worked collaboratively with the Office of the National Rail Safety Regulator (ONRSR) with all identified issues actioned and closed within agreed timeframes. Numerous elements of V/Line’s safety management system were tested by ONRSR through surveillance audits and site inspections.

HSE Indicator Performance

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

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

Serious Injury Frequency Rate (SIFR)	2018-19	2017-18	2016-17
Measure	Actual	Actual	Actual
SIFR	18.96	27.89	38.90
SIFR Forecast	28	30	33
SIFR Variance	-9.04	-2.1	5.9
SIFR % Variance to Forecast	-32.28%	-7.03%	17.88%

Signals Passed at Danger (SPAD) (Human Factors + Technical)	2018-19	2017-18	2016-17
Measure	Actual	Actual	Actual
SPAD	2.55	3.76	2.99
SPAD Forecast	3.00	3.00	3.50
SPAD Variance	-0.45	0.76	-0.51
SPAD % Variance to Forecast	-15.00%	25.33%	-14.57%

Hazards and Incidents per 100 FTE

The total number of hazards/100FTE reported has again marginally increased over 2018-19. This can be viewed as positive as staff continue to value and utilise the reporting system. Continued training and monthly hazards reported and awareness has ensured that logged hazards are tracked, reported to all relevant stakeholders (including employee elected health and safety representatives) on a monthly basis, and closed out once rectified.

The total number of WorkCover standard claims lodged over the last reportable year has increased, however the average cost per claim has decreased. The lower cost per claim is broadly due to lower injury severity types, and the benefits of early return to work programs which may include appropriate alternative duties.

There was a high percentage of Stress/Trauma staff claims during the period (51 per cent), primarily resulting from third party self-harm incidents on the network. On this point, V/Line provides resilience training for operational staff if they are more likely to be exposed to these types of incidents. Post incident support is also provided.

Hazards Reported

Year	Per 100 FTE
2018-19	15.95
2017-18	14.62
2016-17	14.45

Incidents Reported

Year	Per 100 FTE
2018-19	432
2017-18	437
2016-17	440

WorkCover – Personal Injury Lost Time Claims	# time loss standard claims	Full-time equivalent (FTE)	Per 100 staff	Average cost per claim
2018-19	63	2189.0	2.87	$28,281
2017-18	38	1915.5	1.98	$38,477
2016-17	30	1730.4	1.73	$42,490

Safety continues to be a priority for everyone at V/Line. There have been positive steps forward in the journey towards Destination Zero in recent years and the past 12 months has continued that trend. Further improvements are expected in the year ahead, ensuring critical risks always remain the key focus.

SECTION THREE

Workforce Data

Our People

V/Line is committed to investing in its people. This includes bringing new people and expertise into the organisation and also giving new opportunities to existing staff.

V/Line recorded a total of 2190 staff for the past financial year, compared with 1964 in 2017-18. To help keep pace with the growth of the organisation, in 12 months the People team has recruited 226 additional employees in various roles, including 112 new drivers, 13 signal maintenance technical apprentices, 9 engineering graduates and positions within our projects and maintenance teams.

Recruit and retain the right people

As a result of a more concentrated focus on diversity and gender more specifically, the percentage of females working at V/Line has increased to 20.2 per cent in 2018-19 and 23 per cent for women in executive leadership positions.

V/Line received accreditation to be part of Work 180, which is an online platform that promotes employers who have policies and practices that support flexibility in the workplace. V/Line was recognised for developing its Gender Action Plan and its flexibility policy for employees. The People team also continues to encourage staff to be part of women in transport mentoring programs. Offered through the Australasian Railway Association and Transport for Victoria, the mentoring programs are about ensuring women feel supported at work, have opportunities to progress their careers and encourage future leadership.

We launched our Youth Action Plan to attract, develop and retain young employees, ensuring a sustainable pipeline of talent for V/Line and the rail industry now and in the future. Our apprenticeship, cadetship and graduate programs remain an important source of early career pathing for a sustainable workforce.

V/Line has entered into a partnership with Explore Careers, to attract young people to consider a career at V/Line. The People team has attended 10 career expos over the past 12 months in Melbourne and across regional Victoria as another way of helping to recruit more young people into the organisation.

V/Line continues its sponsorship of engineering, environmental, and communication undergraduates through the Doxa Cadetship Program and Beacon Foundation's High Impact Program, where our leadership team members share their unique stories and career paths.

Develop and engage our people

Leadership and Culture

An area of major focus at V/Line over the past financial year has been our culture. We have deepened our understanding, established a clear and measurable vision for our aspirational culture and are supporting leaders with metrics, education, and skills to build and sustain constructive behaviour.

Our Thought Leaders events have continued to bring inspiration from external presenters and enabling our leaders to bring ambition and optimism about what is possible for V/Line in the future.

Considerable investment has been made in the area of Leadership, specifically in undertaking the Human Synergistics Life Styles Inventory for leaders at Executive, Senior and Broader leadership levels. This is enabling a clear and simplified goal towards amplifying constructive styles and an emerging common language and understanding of what successful leadership looks and sounds like. We have developed multiple in-house programs that are designed to offer practical, relevant skills in creative and positive learning environments.

Enhancing our performance

We continue to enhance our performance review process through having annual performance reviews alongside our day to day constrictive performance conversations. Our people leaders act as performance coaches by having regular conversations with their people on how they're tracking and how they are demonstrating V/Line's values. Performance plans and goals, together with quality and timely feedback, aim to lift individual performance and organisation achievements.

Positive Mental Health

V/Line developed a Positive Mental Health and Wellbeing Action Plan in 2018-19, focusing on family and domestic violence, as well as coping with trauma and respectful workplace practices.

Our key activities for this year had a strong preventative focus with training on recognising and supporting mental health issues in the workplace:

- participation in Rail R U OK? Day and Mental Health Awareness Week
- continuation of a Trauma Management program to support employees involved in an incident with resilience training and access to specialist psychological care
- release of a Domestic and Family Violence procedure to provide leave and support to employees affected by domestic and family violence
- introduction of Mental Health Awareness tool box sessions and Mental Health First Aid Accredited training
- introduction of our Values in Action and Constructive Communication workshops for all our people
- introduction of Absenteeism Management sessions for our people leaders.

Our People Capabilities

We provide our people with targeted, role-based learning and mandatory, role-specific training as well as formal training and on-the-job skills development to enable them to be the best they can be. V/Line redesigned the V/Line Corporate Induction, making it more informative, engaging and interactive. A new, state-of the-art learning facility opened in April 2019. The multi-level facility caters for up to 150 learners at any one time and provides an opportunity for our people to learn in a calm and supported environment.

Staff recognition

There are many ways we recognise achievements. Our peer recognition program highlights those who display our values. 160 of our people were recognised through our monthly CEO Morning Teas and we appreciate our staff who represented our values and put customers at the centre of everything they do. Our recognition approach aims to make people feel appreciated for their excellent work, inspired to perform and connected to our purpose and customers. At V/Line we celebrate Service Recognition through our annual events:

- 123 employees recognised for 10, 15 and 20 years' service
- 37 employees recognised for 25, 30, 40, 50 and 60 years' service.

Registered Training Organisation (RTO)

V/Line has expanded its scope as a Registered Training Organisation by setting up in-house training for signal maintenance apprentices. The current group of trainees and apprentices are completing their Certificate IV in Electrical Rail Signalling, making V/Line the first rail operator in Australia to offer this type of training in-house.

We continue to work with the Level Crossing Removal Program and Swinburne University to develop rail specific qualifications that V/Line will deliver through the RTO.

Create an environment that is diverse, inclusive, and supportive

Diversity, Inclusion, Equality and Respect have been key themes for all staff at V/Line over the past financial year. A key initiative that was undertaken was to invite people from all parts of the organisation to form a Culture Council. Chaired by the CEO, the main purpose of the Culture Council is to provide education and make progress in our six key areas of Diversity: Gender, Generational, Culturally and Linguistically Diverse, Aboriginal and Torres Strait Islanders, LGBTI+ and Disability. Each area of Diversity also has Executive Leadership Team and Board champions to sponsor action plans that support policy, processes, events and awareness.

To support the implementation of V/Line's Equality, Inclusion and Respect Strategy dedicated plans focusing on Gender equity, Disability Inclusion and Youth Attraction have been developed. The plans have identified initiatives to support the attraction, retention and development of our people.

Through the Women in Transport program coordinated by the Department of Transport, our female employees have successfully nominated to participate in an industry wide mentoring program; a scholarship to undertake a transport related master degree and women in leadership development programs. Our employees also participated in the Victorian Public Transport Commission run Aboriginal staff networks.

V/Line participated in a number of different events that celebrate the diversity of our people and the communities we serve including International Women's Day, Midsumma Pride March, International Day of People with Disability and NAIDOC week.

We continue to conduct succession planning across V/Line, taking an inclusive and non-biased approach to ensure we have equitable succession plans and internal and external talent pipelines. We aim to have a gender balance of candidates identified for leadership positions. Our future female leaders have participated in Women in Transport Mentoring Programs and Future Leaders Programs.

We have a flexibility program, which is currently being trialled and will be available for all teams to participate in from late 2019 including toolkits and resources to help our people and managers manage requests for flexibility with a positive, problem-solving approach.

Employee and conduct principles

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

Industrial Relations

No time has been lost through industrial action and disputes.

Comparative workforce data

The following table discloses the head count and full-time staff equivalent (FTE) of all active employees of V/Line, employed in the last full pay period in June 2019 against the last full pay period in June 2018.

June 2019	All employees		Ongoing			Fixed Term and Casual	
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Gender							
Men	1748	1712.3	1565	77	1608.5	106	103.8
Women	442	419.9	336	63	378.7	43	41.2
Age							
15-24	34	33.4	30	2	31.4	2	2
25-34	443	438.3	392	14	401.6	37	36.7
35-44	537	528.4	463	26	481	48	47.4
45-54	519	513.1	465	18	477.4	36	35.7
55-64	541	514.2	461	58	493.8	21	20.4
65+	116	104.8	90	22	102	4	2.8
Classification							
Executive	11	11	0	0	0	11	11
Station Staff	303	291.3	262	35	285.3	5	5
Conductors	290	284.1	270	15	279.1	5	5
Train Drivers	512	490.5	467	45	490.5	0	0
Authorised Officers	9	9	9	0	9	0	0
Program & Delivery	142	141.4	106	2	107.4	34	34
Infrastructure Maintenance	138	137.7	136	1	136.7	1	1
Signal & COMM's	111	111	108	0	108	3	3
Train Controllers	66	66	66	0	66	0	0
Network Services	160	154	138	14	146.6	8	7.4
Other Staff	448	436.2	339	28	358.6	82	78.6
Total employees	**2190**	**2132.2**	**1901**	**140**	**1987.2**	**149**	**145**

June 2018

	All employees		Ongoing			Fixed Term and Casual	
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Gender							
Men	1598	1565	1429	67	1466.50	102	99.10
Women	366	349	282	48	315.10	36	34.80
Age							
15-24	39	38.70	33	1	33.70	5	5
25-34	376	373	339	10	346.30	27	27
35-44	431	423.90	371	17	382.70	43	42.10
45-54	498	490.70	435	21	449.30	42	41.40
55-64	502	479.60	438	49	465.70	15	14.20
65+	118	108.10	95	17	103.90	6	4.20
Classification							
Executive	12	12	0	0	0	12	12
Station Staff	311	300.60	261	32	282.90	18	17.70
Conductors	291	288.70	276	6	280	9	8.70
Train Drivers	400	378.60	356	43	378.10	1	.50
Authorised Officers	9	9	9	0	9	0	0
Strategy & Program	124	123.10	95	3	97.10	26	26
Infrastructure Maintenance	158	157.70	145	1	145.70	12	12
Signal & Comms	93	92.40	90	0	90	3	2.40
Train Controllers	57	57	57	0	57	0	0
Network Services	165	164.10	161	0	161	4	3.10
Other Staff	344	332	270	30	289.80	44	42.20
Total employees	**1964**	**1915.50**	**1720**	**115**	**1790.90**	**129**	**124.60**

Workforce inclusion policy

At V/Line our values are at the centre of everything we do, behaviours are constructive, and we accept and value the contributions of all employees regardless of gender, ethnicity, sexual orientation, religion, age or ability. We are committed to a diverse, inclusive and respectful workplace that reflects the communities we serve.

As part of V/Line's Equality, Inclusion and Respect strategy we have a target of 25 per cent female participation in the workplace by 2020 and 50 per cent women on the executives' gender profile by 2020.

Other areas of focus include generational diversity, lesbian, gay, bisexual, transgender and intersex, Aboriginal and Torres Strait Islander People and People with a Disability.

V/Line is active in the Transport for Victoria 'Women in Transport' program and the Level Crossing Removal Project social inclusion and procurement programs.

The following table outlines V/Line's actual progress against this target in 2018-19.

Workforce inclusion policy initiative	Target by 2020	Actual progress in 2018-19	Actual progress in 2017-18
	Executive Officers:	Executive Officers:	Executive Officers:
Gender profile at executive levels	50% women 50 % men	23% women 77% men	19% women 81% men

Executive officer data

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

Total number of EOs for V/Line, broken down into gender	All		Women		Men		Self-described	
	No.	Var.	No.	Var.	No.	Var.	No.	Var.
Executive Leadership Team	11	-1	2	-1	9	0	0	0
Senior Leadership Team	38	+3	12	+2	26	+1	0	0
Broader Leadership Team	18	-14	1	-1	17	-13	0	0

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

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

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

Income band (salary)	GSERP contract staff	Non – GSERP contract staff
$182 070 – $199 999	19 (a)	7
$200 000 – $219 999	18 (b)	1 (d)
$220 000 – $239 999	11 (c)	0
$240 000 – $259 999	5	0
$260 000 – $279 999	2	0
$280 000 – $299 999	4	0
$300 000 – $319 999	6	0
$320 000 – $339 999	0	0
$340 000 – $359 999	1	0
$360 000 – $379 999	0	0
$380 000 – $399 999	0	0
$400 000 – $419 999	0	0
$420 000 – $439 999	0	0
$440 000 – $459 999	0	0
$460 000 – $479 999	1	0
$480 000 – $499 999	0	0
Total	**67**	**8**

Notes

The salaries reported above are for the full financial year, at a 1-FTE rate, and includes superannuation
(a) 1 Headcount at 0.7 FTE
(b) 2 Headcount at 0.7 FTE
(c) 1 Headcount at 0.7 FTE
(d) 1 Headcount at 0.7 FTE

SECTION FOUR

Other Disclosures

Local jobs first

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

V/Line is required to apply the Local Job first policy in all projects valued at $3 million or more in Metropolitan Melbourne or for state wide projects, or $1 million or more for projects in regional Victoria.

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

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

During 2018-19, V/Line commenced seven Local Jobs First – VIPP/MPSG applicable procurements totalling $497.28 million. Of those projects, all were state-wide. While all the applicable procurements underwent a Contestability Assessment, only two required a VIPP/MPSG Plan.

During 2018-19, V/Line did not complete any Local Jobs First – VIPP/MPSG applicable projects.

The outcomes reported from the implementation of the VIPP/MPSG where information was provided, were as follows:

- an average of 100 per cent of local content outcome was recorded
- a total of four Annualised Employee Equivalent (AEE) positions were created
- one new apprenticeship created, and zero existing apprenticeships retained.

During 2018-19, one medium sized business prepared a VIPP/MPSG Plan for contracts.

During 2018-19, six projects, which commenced on or after 1 September, had 100 per cent local content as the projects were local by nature. One project (Bulk Fuel) was international by nature due to the crude oil being sourced from Singapore.

During 2018-19, approximately 30 small to medium sized businesses were contracted as Principal Contractors.

Government advertising expenditure

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

Consultancy expenditure

Details of consultancies valued at $10,000 or greater

In 2018-19, there were 57 consultancies where the total fees payable to the consultants were $10,000 or greater. Total expenditure incurred in 2018-19 in relation to these consultancies was $23,268,000 (excluding GST). Details of individual consultancies are set out in the following tables.

Details of consultancies under $10,000

In 2018-19, there were 32 consultancies engaged during the year where the total fees payable to the consultants were less than $10,000. The total expenditure incurred in 2017-18 in relation to these consultancies was $125,000 (excluding GST). A full list of V/Line contractors and consultants engaged in 2018-19 are set out in the following tables.

Consultancies 2018-19 – Details of Consultants over $10,000

Non-Project Related

Consultants	Purpose of Consultancy	Total approved project fee (excl. GST) $'000	Expenditure 2017-18 (excl. GST) $'000	Future expenditure (excl. GST) $'000
Ernst & Young	Financial due diligence, strategic advisory, employment and other tax advisory services	371	289	82
Deloitte	Internal audit & risk management services	321	321	–
The Interchange Group	Behavioural based safety programs	312	271	42
Barrington Centre Pty Ltd	Employee assistance and counselling services	281	281	–
RSM Australia	Internal audit & risk management services	192	192	–
Hall & Wilcox	Legal services	177	89	88
Mercer Consulting (Australia)	Organisational reviews and design	175	127	48
Votar Partners Pty Ltd	Consulting services V/Line information asset register	121	55	66
Corrs Chambers Westgarth	Legal services	120	120	–
Maddocks Pty Ltd	Legal services	115	64	51
The Keil Centre Limited	Safety critical communications gap analysis	113	113	–
Advisian Pty Ltd	Consultancy services for operational readiness	110	110	–
DLA Piper Australia	Legal services	102	102	–
Phillip Jenkinson	Payroll systems modernisation	99	99	–
Corsair Consulting Group Pty Ltd	Financial advisory and management services	91	91	–
Clayton Utz	Legal services	71	38	33
ACIL Allen Consulting Pty Ltd	Stakeholder perception research	69	69	–
Monash University	Data science & web/app development	53	35	18
Abbott Risk Consulting Pty Ltd	Safety, engineering & risk management consultancy services	52	52	–
FOI Solutions	Legal services	18	18	–
GHD Pty Ltd	Asset management policy review and competency framework	39	17	22
Layer 2 Intelligence Pty Ltd	Consulting services, Network Architecture Audit	38	38	–
Lloyds Register Quality Assurance	ISO Audits – Asset Management	30	30	–
Ringgo Solutions Pty Ltd	Financial modelling services	28	28	–
EMA Consulting Pty Ltd	Investigation and delivery management training	26	22	4
Governance Matters	Board performance review	25	25	–
Symmetra Pty Ltd	Flexibility & leave policy review	25	21	3
RBA Arch & Conservation Consulting	Heritage conservation architect services	23	18	5
Deakin University	Operational and technology improvement services designed for training & cultural change	23	23	–
Fatigue Management Solutions	Fatigue management framework	18	18	–
Total		**3,239**	**2,776**	**463**
Below $10K		125	125	Nil

Consultancies 2018-19 – Details of Consultants over $10,000

Project Related

Consultants	Purpose of Consultancy	Total approved project fee (excl. GST) $'000	Expenditure 2017-18 (excl. GST) $'000	Future expenditure (excl. GST) $'000
Interface Rail Engineering Pty Ltd	Engineering services for Murray Basin Rail Project, Ballarat Line Upgrade and Regional Rail Revival	10,571	7,653	2,918
Rail Control Systems Australia Pty Ltd	Engineering and design services for Murray Basin Rail Project Maryborough and Ararat junctions	3,397	3,397	–
GHD Pty Ltd	Engineering and services for Regional Rail Revival	1,929	907	1,023
Sterling Group Consultants Pty Ltd	Infrastructure inspection, survey and design services	1,899	918	980
Kinsley Group Pty Ltd	Concept design, survey & Geotech investigation and design services	1,454	1,204	249
Advisian Pty Ltd	Consultancy services for operational readiness	1,232	955	276
Aecom Australia Pty Ltd	Data analysis and documentation	935	576	359
RPS Manidis Roberts Pty Ltd	Communication and planning support for Murray Basin Rail Project, Regional Rail Revival and Ballarat Line Upgrade	887	706	181
Boleh Consulting Australia Pty Ltd	Engineering services for Murray Basin Rail Project	708	702	6
Ecology & Heritage Partners Pty Ltd	Ecology and cultural heritage consultancy	650	265	385
SMEC Australia Pty Ltd	Investigative and design services, geotechnical reviews, biodiversity surveys	564	448	116
Hatch Nuttall Engineering Pty Ltd	Engineering services for bridge investigations	431	431	–
Tranzys Pty Ltd	Technical architect services	377	264	113
Fanjord Solutions	ICT advisory and technology modernisation	368	368	–
Riley Solutions Pty Ltd	Consultancy services for technology modernisation	300	254	46
Catalyst Pty Ltd	Consultancy services for technology modernisation	245	245	–
Austin and Associates	Change management services technology modernisation	242	242	–
Arcadis Australia Pacific Pty Ltd	Hydraulic analysis, structural design services	220	191	29
Springboard Works Pty Ltd	Data analytics services, technology modernisation	197	197	–
Data Tech First Pty Ltd	Data science, data lake development, technology modernisation	189	189	–
CSIRO	Data sciences services for technology modernisation	150	75	75
DLA Piper	Legal services	144	80	64
Kellogg Brown & Root Pty Ltd	Design services	83	83	–
Thoughtworks Australia Pty Ltd	User interface design and build, technology modernisation	59	59	–
Golder Associates Pty Ltd	Geotechnical construction support services, soil sampling & testing	54	42	12
Opus International Consultants Pty Ltd (Australia)	Signalling box design and engineering services	26	26	–
Monash University	Assessment of Aluminothermic welds	14	14	–
Total		**27,323**	**20,492**	**6,832**
Below $10K		Nil	Nil	Nil

Information and Communication Technology Expenditure

For the 2018-19 reporting period, V/Line had a total ICT expenditure of $29.0 million, with the details shown below.

All operational ICT expenditure Business As Usual (BAU) ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
	Business as usual ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and capital expenditure)		
$'000	$'000	$'000	$'000
22,356	6,683	102	6,581

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

Freedom of information

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

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

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

From 1 September 2017, the Act was amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. However, when external consultation is required the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times.

If an applicant is not satisfied by a decision made by V/Line, under section 49A of the Act they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

FOI requests can be lodged online at **www.foi.vic.gov.au**. An application fee of $29.60 applies. Access charges may also be payable if the document pool is large, and the search for material, time consuming.

Access to documents can also be obtained through a written request to V/Line's Freedom of Information Officer, as detailed in s17 of the *Freedom of Information Act 1982*.

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

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

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

FOI statistics/timeliness

During 2018-19, V/Line received 32 applications. Of these requests, 4 were from Members of Parliament, 5 from the media, and the remainder from the general public.

V/Line made 29 FOI decisions during the 12 months ended 30 June 2019, 26 decisions were made within the statutory 30-day time period and 3 decisions within an extended statutory 30-45 day time period.

The average time taken to finalise requests in 2018-19 was 25 days.

During 2018-19, 5 requests were subject to a complaint/internal review by OVIC with none progressing to VCAT.

Further information

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

Compliance with the *Building Act 1993*

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

In 2018-19:

Number of major works projects undertaken by V/Line (greater than $50,000)	2
Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned by the entity	3 building permits 0 occupancy/planning permits 3 certificates of occupancy
Number of emergency orders and building orders issued in relation to buildings	0 emergency orders 0 building orders
Number of buildings that have been brought into conformity with building standards during the reporting period	0 buildings brought into conformity

Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation.

This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

V/Line is working to ensure Victoria fulfils its requirements on competitive neutrality reporting against the enhanced principles as required under the Competition Principles Agreement and Competition and Infrastructure Reform Agreement.

Compliance with the *Protected Disclosure Act 2012*

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

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

V/Line is committed to the aims and objectives of the Act. V/Line has procedures in place 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 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)

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

Phone: **1300 735 135**

Internet: **www.ibac.vic.gov.au**

Compliance with the *Disability Act 2006*

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community. The *Disability Act 2006* requires V/Line to prepare an Action Plan and report on its implementation in our Annual Report.

V/Line's 2015-2018 Accessibility Action Plan (AAP) drew to an end in December 2018. Throughout those three years, and since V/Line's the first AAP in 2012, there has been significant improvements in how customers access V/Line services, the provision of information and the skills of customer service staff.

In 2018-19 V/Line's key achievements include:

- online disability awareness training was rolled out to all front-line staff to support in person training completed over the last 3 years. This module highlighted the key message of 'seeing the person, not the disability', with almost all frontline staff completing this training in the 2018-19 year
- introduction of virtual tours on the V/Line website of all V/Line Fleet types. This allows customers the opportunity to familiarise themselves with V/Line trains prior to travel increasing their understanding and confidence in travelling on V/Line services
- opening of a new pedestrian overpass at Bendigo Station. This overpass greatly improves access between platforms for customers with disability
- V/Line's Accessibility Reference Group continuing to be a key stakeholder group for all accessibility projects and activities. This group was key in the detailed design phase for station designs as part of the Ballarat Line Upgrade as well as the development of V/Line's next AAP for 2019-2022
- commencement of a package of works to upgrade the existing VLocity fleet. This includes improvements to allocated spaces and doorways to increase accessibility for customers who use a mobility aid.

V/Line has been developing the next AAP for 2019-2022 to build on the achievements of the past three years and continue to improve access for regional public transport services. The AAP focuses on delivering inclusive and accessible services whilst promoting compliance to DSAPT and improvements in functional access.

To develop the 2019-2022 AAP, V/Line has consulted with customers, the V/Line Accessibility Reference Group, disability service providers and advocacy organisations as well as staff and key internal stakeholders.

To achieve this, V/Line's four key priority areas for 2019-2022 are:

Priority 1 – *Customer service and communication:* continuous improvement and innovation to deliver positive travel experiences for our customers both via our frontline staff and V/Line's communication channels.

Priority 2 – ***Consultation and collaboration:*** consultation with customers and key stakeholders to identify improvement initiatives and seek guidance on improvement projects.

Priority 3 – ***Building inclusive environments:*** identifying priority areas for access improvements on the network to provide inclusive and accessible public transport spaces.

Priority 4 – ***Building an inclusive culture:*** development of a workplace and workforce that is inclusive for all customers and staff.

V/Line is committed to continuing to improve access to our services to provide an inclusive journey for all passengers and is looking forward to commencing activities under the 2019-2022 AAP.

Compliance with *Transport Integration Act 2010*

Under section 164(1)(b) of the *Transport Integration Act 2010*, V/Line must include in its Annual Report a copy of its statement of corporate intent.

Statement of Corporate Intent			
Purpose	**Vision**	**Mission**	**Values**
To provide a connected and bright future for Victorians	A modern, high performing railway and coach service for all	Connecting Victoria by empowering our people to be their best	Respectful Be our best Accountable Integrity Be bold

Strategic Priorities and Objectives	
Health Safety and Environment	Safety and care for the environment embedded as part of our everyday
Performance	Deliver services that are punctual and reliable to connect regional Victoria and meet our Service Agreement obligations
Significant Projects	Actively engage in the delivery of significant projects within an integrated transport system
People and Culture	Build an engaged and accountable team in an environment where our people can be their best
Modernisation	Create a modern, high performing Victorian regional rail network

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: Service Punctuality and Reliability, Customer Satisfaction Monitor (Rail and Coach), Advertised Coach Connections, Stakeholder Perception, Serious Injury Frequency Rate (SIFR), Signals Passed At Danger (SPADs), Infrastructure and Fleet Reliability, Project Delivery, People and Culture measures and Financial Performance.

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 Partnership Agreement with PTV, 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, the Department of Economic Development, Job, Transport and Resources and Transport for Victoria.

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 2018-19 we continued to implement environmental improvements, with significant reductions in energy intensity and waste production across the business.

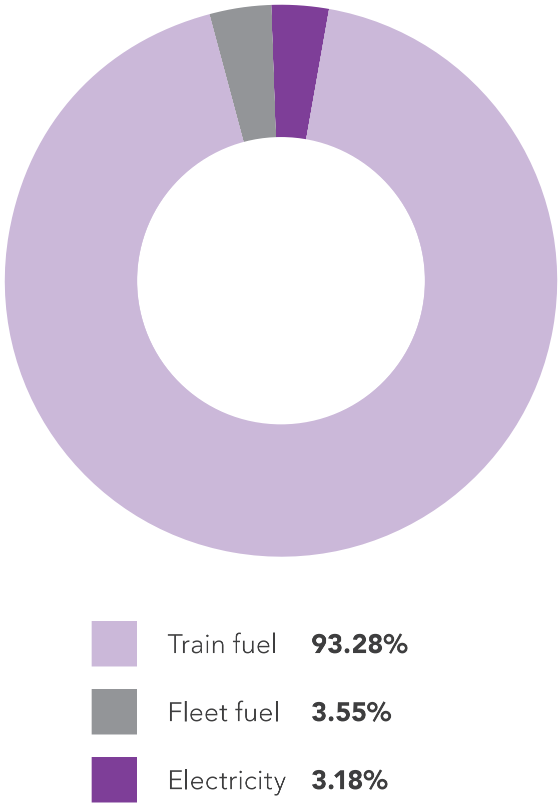
V/Line maintains an ISO 14001:2015 accredited Environmental Management System that guides sustainability performance and reduces environmental impacts. An independent certified environmental systems auditor audits this system annually. V/Line's Sustainability Action Plan (SAP) is the key strategic implementation mechanism for the delivery of environmental improvements, and in 2018-19 set targets, objectives, forecasts and initiatives in relation to five key environmental focus areas:

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

Guided by Financial Reporting Direction 24D issued by the Department of Treasury and Finance, V/Line monitors and records its consumption of energy, water, and paper, as well as its output of waste and greenhouse gas emissions. Due to the nature of V/Line operations, these metrics are reported for the business, rather than specifically office-based impacts. The results for 2018-19 are detailed below.

Greenhouse gas emissions

The running of trains is the primary source of energy consumption at V/Line, with fuel use accounting for over 1.7 billion megajoules, or approximately 94 per cent of our energy consumption. Other sources of energy consumption are the vehicle fleet and the consumption of electricity at V/Line sites. Electricity is used for internal and external lighting, heating, air-conditioning as well as office and plant equipment.



Office based environmental impacts

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

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

Building Energy Use	2018-19	2017-18	2016-17
Energy Use segmented by primary source (MJ)			
Electricity	56,071,447	55,975,357	55,186,683
Natural Gas (ref*)	–	650	1,331,238
TOTAL	**56,071,447**	**55,975,357**	**55,186,683**
Energy Intensity (MJ / passenger kilometre)	0.0217	0.0273	0.0297
Units of building energy used per FTE (MJ/FTE)	26,300.23	29,222.66	32,796.33

GHG	2018-19	2017-18	2016-17
Greenhouse Gas Emissions from energy consumption (tonnes CO2-e)			
Electricity	16,977	16,948	16,709
Natural Gas	–	33	68
TOTAL	**17,011**	**16,981**	**16,778**
Emissions Intensity (CO2-e / 1000 pass km)	0.00660	0.00830	0.00974

Actions undertaken

V/Line is currently assessing options for including renewable electricity in the energy profile. V/Line continues to upgrade lighting to more efficient forms such as LED, as existing systems end their lifespan.

Targets

V/Line sets targets for total energy intensity (MJ / passenger kilometre), not building energy consumption. The target for 2018-19 was for energy intensity to be at or below a 2017-18 baseline. Energy consumption decreased by over 20 per cent on 2017-18 intensity levels.

Explanatory notes

- Electricity data is sourced directly from the government energy contract suppliers. This data did not include 2018-19 natural gas consumption, which is currently unavailable. Natural gas represents only a minor proportion of building energy consumption.
- Historical figures for energy consumption have been adjusted from previously reported figures due to improved data accuracy.
- V/Line purchases electricity as part of a government contract, which currently does not include Green Power.

Waste and recycling

V/Line produces a variety of waste types, ranging from station and office waste to used sleepers, ballast, soil and train parts. This waste is collected primarily by V/Line's principal waste contractor, who provides data for all sites to V/Line. This data includes only waste produced by V/Line staff and activities, as well as passenger waste deposited at stations. This data does not include project maintenance waste, including sleepers and spoil.

Waste and Recycling	2018-19	2017-18
Waste disposed of by destination (kg)		
Landfill	517,290	430,903
Commingled recycling	8,910	9,315
Paper and cardboard	11,680	12,345
Other recovered materials	21,750	49,734
TOTAL	**559,630**	**502,297**
Waste disposed of per FTE by destination (kg/FTE)		
Landfill	242.63	224.96
Commingled recycling	4.18	4.86
Paper and cardboard	5.48	6.44
Other recovered materials	19.86	37.27
TOTAL	**272**	**274**
Emissions associated with waste disposal (tonnes CO2-e)	356	368

Actions undertaken

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

- waste minimisation communications is rolled out as required
- staff members are encouraged to reduce the amount of waste produced and use correct recycling practices
- implementation of a four-stream recycling system at head office, including general waste, paper and cardboard recycling, green waste recycling, and general recycling
- services are available for the recycling of printer cartridges, batteries and other waste electrical equipment throughout the office.

V/Line are also currently exploring opportunities to reduce waste produced as a result of the upcoming relocation of head office locations, and associated fitout and removals.

Targets

V/Line's waste management targets have primarily focused on paper reduction and a reduction of waste to landfill.

Explanatory notes

- Waste data is broader than office waste and includes both waste produced by V/Line staff and activities as well as passenger waste.
- The current waste data collection system only commenced in August 2016.

Paper Use

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

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

Paper Consumption	2018-19	2017-18	2016-17
Total units of A4 equivalent copy paper used (reams)	10,442	9,008	9,220
Reams of A4 equivalent copy paper used per FTE (reams/FTE)	4.90	4.70	5.35

Actions undertaken

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

- V/Line has launched a Paperlite program aimed at reducing paper by 50 per cent in the lead up to the head office building relocation, including the digitisation of key paper sources across the business
- paper purchased by V/Line offices is 100 per cent recycled where possible with coloured or paper with non-recycled content ordered as the exception
- a printer monitoring system is in place, to allow more accurate consumption data management
- a swipe card system has been implemented, which discourages unnecessary printing
- information regarding paper reduction is included in sustainability communications.

Targets

V/Line's paper reduction target for 2018-19 was to maintain paper usage per FTE at or below 4.28 reams per FTE baseline. V/Line's paper consumption per FTE for 2018-19 increased by over 14 per cent. The steep increase in project works likely contributed to this increase and the overall staff headcount increase. Despite this increase, V/Line is still significantly below the previous 2015-16 baseline of 5.74 reams per FTE.

Explanatory notes

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

Water consumption

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

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

Available water data has been used to extrapolate annual consumption for 2018-19.

Water Consumption	2018-19	2017-18	2016-17
Total water consumption (kL)	94,836	127,371	121,207
Units of water used per FTE (kL / FTE)	44.5	66.5	70.3
Water consumption per passenger kilometre (L / pass km)	0.037	0.062	0.064

Actions undertaken

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

Targets

V/Line sets targets for total water consumption across the whole network, not specifically water consumption in buildings. The target for 2018-19 was for water consumption per passenger kilometre to be at or below a 0.0667 per litre per passenger kilometre.

Explanatory notes

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

Travel and transport

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

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

Travel and Transport	**2018-19**	**2017-18**	**2016-17**
Energy consumption by fleet vehicles (MJ)			
Diesel	59,470,169	61,411,777	61,549,002
Unleaded	3,086,516	890,724	877,435
Total	**62,556,685**	**62,302,501**	**62,426,436**
Energy use per FTE (MJ / FTE)	29,342	32,525	36,225
Greenhouse gas emissions from fleet vehicles (tonnes CO2-e)			
Diesel	4,199	4,336	4,339
Unleaded	215	62	61
Total	**4,414**	**4,398**	**4,400**

Actions undertaken

In operating a broad regional network, V/Line encourages minimising road travel through the use of the rail network and teleconferencing where possible.

Targets

V/Line sets targets for total energy intensity (MJ / passenger km), not specifically energy consumption from transport. The target for 2018-19 was for energy intensity to be at or below a 2017-18 baseline.

Explanatory notes

V/Line has phased out the use of LPG vehicles.

V/Line does not keep data on:

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

Additional information available on request

In compliance with the requirements of the Standing Directions 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 pecuniary interests have been duly completed by all relevant officers

(b) details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary

(c) details of publications produced by the entity about itself, and how these can be obtained

(d) details of changes in prices, fees, charges, rates and levies charged by the entity

(e) details of any major external reviews carried out on the entity

(f) details of major research and development activities undertaken by the entity

(g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit

(h) details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services

(i) details of assessments and measures undertaken to improve the occupational health and safety of employees

(j) a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes

(k) a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved

(l) details of all consultancies and contractors including:

i. consultants/contractors engaged

ii. services provided

iii. expenditure committed to for each engagement.

The information is available on request from the Company Secretary.

Attestation for financial management compliance with Ministerial Standing Direction 5.1.4

I Jeroen Weimar, on behalf of the Responsible Body, certify that V/Line Corporation has complied with the applicable Standing Directions 2018 under the *Financial Management Act 1994* and Instructions.

Jeroen Weimar
Chair

FINANCIAL

STATEMENTS

V/Line Corporation – Financial Statements

V/Line Corporation has presented its audited general purpose financial statements for the financial year ended 30 June 2019 in the following structure to provide users with the information about the Corporation's stewardship of resources entrusted to it.

Financial statements

Notes to the financial statements

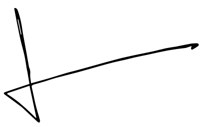
Declaration in the financial statements

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

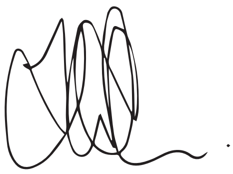
We further state that, in our opinion, the information set out in the consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of the consolidated entity at 30 June 2019.

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.

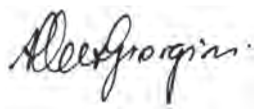
We authorise the attached financial statements for issue on 14 August 2019.



Jeroen Weimar,
Chair



James Pinder,
Chief Executive Officer



Albert Giorgini,
Chief Financial Officer

Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of V/Line Corporation

Opinion	I have audited the consolidated financial report of V/Line Corporation (the corporation) and its controlled entities (together the consolidated entity), which comprises the: • consolidated balance sheet as at 30 June 2019 • consolidated comprehensive operating statement for the year then ended • consolidated statement of changes in equity for the year then ended • consolidated cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • declaration in the financial statements. In my opinion, the financial report presents fairly, in all material respects, the financial positions of the consolidated entity and the corporation as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board of Directors' responsibilities for the financial report	The Board of Directors of the Corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board of Directors is responsible for assessing the corporation and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Auditor's responsibilities for the audit of the financial report	As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation and the consolidated entity's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors • conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation and the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation and the consolidated entity to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation • obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the corporation and consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the corporation and the consolidated entity. I remain solely responsible for my audit opinion. I communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
20 August 2019

Simone Bohan
as delegate for the Auditor-General of Victoria

Consolidated comprehensive operating statement

For the financial year ended 30 June 2019

	Notes	2019	2018
		$'000	$'000
Continuing Operations			
Income from transactions			
Revenue	2.1(a)	702,496	662,511
Other income	2.1(b)	229,326	407,396
Total income from transactions		**931,822**	**1,069,907**
Expenses from transactions			
Operational expenses	3.2,3.3.1	608,758	544,374
Depreciation and amortisation	4.2	20,682	19,161
Administrative expenses	3.5	58,277	61,725
Project expenses	3.6	123,889	301,436
Infrastructure maintenance	3.7	104,566	104,977
Trains provided free of charge – operating expenditure	3.8	45,881	43,958
Total expenses from transactions		**962,053**	**1,075,631**
Net result from transactions (net operating balance)		**(30,231)**	**(5,724)**
Other economic flows included in net result			
Net gain on financial instruments [(a)]	3.11(a)	3,897	3,902
Other losses from other economic flows	3.11(b)	(2,361)	(48)
Total other economic flows included in net result		**1,536**	**3,854**
Net result from continuing operations before income tax		**(28,695)**	**(1,870)**
Income tax (expense)/benefit	3.9	(1,660)	2,104
Net result for the period after income tax	8.1	**(30,355)**	**234**
Other economic flows – other comprehensive income: Items that may be reclassified subsequently to net result			
Fair value (losses)/gains on hedging instruments, net of tax		(3,873)	4,908
Total other economic flows – other comprehensive income		**(3,873)**	**4,908**
Comprehensive result		**(34,228)**	**5,142**

The accompanying notes form part of these financial statements

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

Consolidated balance sheet

As at 30 June 2019

	Notes	2019	2018
		$'000	$'000
Assets			
Financial assets			
Cash and cash equivalents	6.1	7,030	68,266
Receivables	5.1	38,222	88,613
Other financial assets	5.6	–	4,504
Total financial assets		**45,252**	**161,383**
Non-financial assets			
Inventories	5.3	27,838	34,238
Property, plant, and equipment	4.1	128,176	124,456
Intangible assets	4.3	2,466	7,308
Other non-financial assets	5.5	6,536	5,656
Total non-financial assets		**165,016**	**171,658**
Total assets		**210,268**	**333,041**
Liabilities			
Payables	5.2	83,463	181,047
Employee related provisions	3.3.2	92,427	84,418
Other financial liabilities	5.7	1,030	–
Total liabilities		**176,920**	**265,465**
Net assets		**33,348**	**67,576**
Equity			
Accumulated deficit	8.9	(89,902)	(59,547)
Physical asset revaluation surplus	8.9	123,971	123,971
Hedge reserve	8.9	(721)	3,152
Net worth		**33,348**	**67,576**

Commitments for expenditure	6.2
Contingent assets and contingent liabilities	7.2

The accompanying notes form part of these financial statements

Consolidated cash flow statement

For the financial year ended 30 June 2019

	Notes	2019	2018
		$'000	$'000
Cash flows from Operating Activities			
Receipts			
Receipts from government		821,572	1,030,666
Receipts from tickets sales and other entities		149,265	106,681
Interest received		871	983
Total receipts		**971,708**	**1,138,330**
Payments			
Payments to suppliers and employees		(994,488)	(1,050,564)
Goods and Services Tax paid to the ATO[a]		(18,895)	(6,004)
Total payments		**(1,013,383)**	**(1,056,568)**
Net cash flows from operating activities	6.1.1	**(41,675)**	**81,762**
Cash flows from Investing Activities			
Purchases of non-financial assets		(19,561)	(21,058)
Net cash flows used in investing activities		**(19,561)**	**(21,058)**
Net (decrease)/increase in cash and cash equivalents		**(61,236)**	**60,704**
Cash and cash equivalents at the beginning of the financial year		68,266	7,562
Cash and cash equivalents at the end of the financial year	6.1	**7,030**	**68,266**

The accompanying notes form part of these financial statements.
(a) GST paid to the Australian Taxation Office is presented on a net basis.

Consolidated statement of changes in equity

For the financial year ended 30 June 2019

	Notes	Physical Asset Revaluation Surplus	Hedge Reserve	Accumulated Deficit	Total Equity
		$'000	$'000	$'000	$'000
Balance at 1 July 2017	8.9	**123,971**	**(1,756)**	**(59,781)**	**62,434**
Net result for the year	8.9	–	–	234	234
Other comprehensive income for the year	8.9	–	4,908	–	4,908
Balance at 30 June 2018	8.9	**123,971**	**3,152**	**(59,547)**	**67,576**
Net result for the year	8.9	–	–	(30,355)	(30,355)
Other comprehensive income for the year	8.9	–	(3,873)	–	(3,873)
Balance at 30 June 2019	8.9	**123,971**	**(721)**	**(89,902)**	**33,348**

The accompanying notes form part of these financial statements.

1. ABOUT THIS REPORT

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 (together referred to as "the Group") for the year ended 30 June 2019.

The Corporation is a Victorian statutory corporation established under the *Rail Corporations Act 1996* and continued under the *Transport Integration Act 2010*. Its principal address is:

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

The functions of the Group are to:

- operate rail and coach passenger services;
- operate services ancillary or incidental to its rail passenger services, including any other transport services;
- operate and maintain rail infrastructure and related infrastructure, including for communications, to support rail passenger and rail freight services;
- manage access to the rail network operated by the Group;
- 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 Transport ("DoT") 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 DoT'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 the Group.

Basis of preparation

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

On 17 February 2018 V/Line undertook a transfer of its entire business; employees, assets, rights, liabilities, and obligations from the operative subsidiary V/Line Pty Ltd to its parent entity, V/Line Corporation, in accordance with legislative amendments to the *Transport Integration Act 2010*. Transfers of net assets arising from administrative restructurings were treated as distributions to or contributions by owners. Transfers of net liabilities that arose from administrative restructurings were treated as distributions to owners. Consistent with the requirements of FRD 119A *Transfers through Contributed Equity*, assets and liabilities were transferred at their carrying amounts.

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

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

- the fair value of plant and equipment, leasehold improvements and rolling stock (refer Note 7.3);
- the fair value of financial instruments (refer Note 7.3); 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 Notes 3.3.1 & 3.3.2).

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; and
- 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.

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.

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 Consolidated Entity are eliminated in full.

In accordance with AASB 10 *Consolidated Financial Statements*:

- the consolidated financial statements of the Group incorporate assets and liabilities of all reporting entities controlled by the Group as at 30 June 2019, 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 is demonstrated. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In preparing consolidated financial statements, all material transactions and balances between consolidated entities are eliminated.

Subsequent to the transfer of employees, assets, rights, liabilities, and obligations from V/Line Pty Ltd on 17 February 2018, the Corporation became the operating entity. 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.

Entities consolidated within the V/Line Corporation group are:

Name	Principal place of incorporation and business	Equity interest	2019	2018
			$'000	$'000
V/Line Pty Ltd	Australia	100%	–	–

Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* ("FMA") and applicable 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 selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

These annual general purpose financial statements were authorised for issue by the Board of Directors ("the Board") on 14 August 2019.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

To enable the Group to fulfil its functions and provide outputs, it receives income from various sources.

Structure

	Notes	2019	2018
		$'000	$'000
2.1 Summary of income that funds the delivery of our services			
(a) Revenue			
Ticket sales / Fare-box revenue	2.2	102,887	101,843
Inter-operator income		876	800
Contributions from Government	2.3	546,607	505,618
Other income		6,245	10,292
Trains received free of charge (Value in Kind)	2.4	45,881	43,958
		702,496	**662,511**
(b) Other income			
Interest		871	983
Project re-imbursement	2.5	228,455	406,413
		229,326	**407,396**
Total income from transactions		**931,822**	**1,069,907**

Income 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 the income can be reliably measured.

	2019	2018
	$'000	$'000

2.2 Ticket sales/Fare-box

Myki ticketing system	72,607	70,369
V/Net ticketing system	30,280	31,474
	102,887	**101,843**

Fare-box revenue is recognised as received when paid. The Group 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 the Group's ticketing system for non-myki areas and this revenue is directly received.

2.3 Contributions from Government

Franchise subsidy	539,193	498,567
Leave funding	7,414	7,051
	546,607	**505,618**

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 Franchise subsidy. Contributions are of an operational nature.

2.4 Value in kind

Trains received free of charge	45,881	43,958

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the recipient obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the contributions. Contributions in the form of services are only recognised when a fair value can be reliably determined, and the services would have been purchased if not donated.

Use of VLocity, diesel multiple unit trains which are leased or owned by Rolling Stock Holdings (Victoria) Pty Ltd are received free of charge ("Value in Kind"; "VIK"). The VIK measurement is based on the value of the lease payments made by PTV and 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. Refer the related party disclosure in Note 8.10, where the amount is shown against PTV.

	2019	2018
	$'000	$'000

2.5 Project re-imbursement

	2019 $'000	2018 $'000
Government	203,335	393,262
Other entities	25,120	13,151
Project re-imbursement	**228,455**	**406,413**

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

The Group manages all of its projects according to its "Project Management Methodology." Many of these projects are funded through various government bodies like PTV and DoT and its associated entities. The Group engages an expense recovery model (i.e. to recover project costs) with no added margin.

Small scale projects are also undertaken based on the request of city councils, VicTrack or Metro Trains Melbourne (MTM) which are fully funded with a zero margin.

3. THE COST OF DELIVERING OUR SERVICES

Introduction

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

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

Structure

3.1 Expenses incurred in delivery of services
3.2 Operating costs (excl. labour)
3.3 Employee benefits
3.4 Superannuation contributions
3.5 Administrative expenses
3.6 Project expenses
3.7 Infrastructure maintenance
3.8 Trains provided free of charge
3.9 Income tax (expense)/benefit
3.10 Leases
3.11 Other economic flows included in net result

	Notes	2019	2018
		$'000	$'000
3.1 Expenses incurred in delivery of services (excl. Depreciation and amortisation)			
Operating costs (excl. labour)	3.2	319,420	286,494
Employee benefit expenses	3.3.1	289,338	257,880
Operational expenses		**608,758**	**544,374**
Administrative expenses	3.5	58,277	61,725
Project expenses	3.6	123,889	301,436
Infrastructure maintenance	3.7	104,566	104,977
Trains provided free of charge (Value in Kind)	3.8	45,881	43,958
Total expenses incurred in delivery of services		**941,371**	**1,056,470**

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

	2019	2018
	$'000	$'000

3.2 Operating costs (excl. labour)

	2019 $'000	2018 $'000
Fleet maintenance	134,953	127,943
Fuel costs	35,157	29,351
Access charges	16,455	16,233
V/Line branded coach contract costs	38,420	36,743
Road coach services	16,549	17,135
Other direct costs	34,325	20,555
Repairs and maintenance	43,561	38,534
	319,420	**286,494**

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

Supplies and services

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

3.3 Employee Benefits

3.3.1 Employee benefit expenses in the comprehensive operating statement

	2019 $'000	2018 $'000
Salaries and wages	206,281	192,554
Superannuation	31,950	25,028
Annual leave and long service leave expense	33,990	26,091
Other on-costs (payroll tax and WorkCover levy)	17,117	14,207
	289,338	**257,880**

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

	2019	2018
	$'000	$'000
3.3.2 Employee benefits in the balance sheet		
Current employee provisions		
Employee benefits (Note 3.3.2 (a)):(i)		
Annual leave (Note 3.3.2(a)):		
– unconditional and expected to settle within 12 months(iii)	20,117	17,856
– unconditional and expected to settle after 12 months(ii)	5,328	4,682
	25,445	**22,538**
Other leave (Note 3.3.2(a)):		
– unconditional and expected to settle within 12 months(iii)	3,252	2,791
	3,252	**2,791**
Long service leave (Note 3.3.2(a)):		
– unconditional and expected to settle within 12 months(iii)	13,055	8,786
– unconditional and expected to settle after 12 months(ii)	32,191	33,387
	45,246	**42,173**
Other provisions – employee related (Note 3.3.2(a))	1,640	1,799
	1,640	**1,799**
Total employee benefits	**75,583**	**69,301**
Provisions for on-costs (Note 3.3.2(a) and Note 3.3.2(b)):		
– unconditional and expected to settle within 12 months(iii)	5,290	4,373
– unconditional and expected to settle after 12 months(ii)	3,877	3,844
Total on-costs	**9,167**	**8,217**
Total current provisions for employee benefits	**84,750**	**77,518**
Non-current employee provisions		
Employee benefits (Note 3.3.2(a)(i) – Long service leave	7,032	6,324
On-costs (Note 3.3.2(a) and Note 3.3.2(b))	645	576
Total non-current provisions for employee benefits	**7,677**	**6,900**
Total provisions for employee benefits	**92,427**	**84,418**

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected separately.
(ii) These amounts are recorded at present value.
(iii) These amounts are recorded at nominal values.

	2019	2018
	$'000	$'000
(a) Employee benefits and on-costs(i)		
Current employee benefits		
Annual Leave	25,445	22,538
Long Service Leave	45,246	42,173
Other leave	3,252	2,791
Other provisions – employee related	1,640	1,799
	75,583	**69,301**
Non-current employee benefits		
Long service leave	7,032	6,324
	7,032	6,324
Total employee benefits	**82,615**	**75,625**
Current on-costs	9,167	8,217
Non-current on-costs	645	576
Total on-costs	**9,812**	**8,793**
Total employee benefits and on-costs	**92,427**	**84,418**

	Employee Benefits 2019	On-costs 2019	Total 2019
	$'000	$'000	$'000
(b) Reconciliation of movement in provisions			
Opening Balance	**75,625**	**8,793**	**84,418**
Net additional provisions recognised and reductions arising from payments/other sacrifices of future economic benefits	4,841	807	5,648
Unwind of discount and effect of changes in the discount rate	2,149	212	2,361
Closing Balance	**82,615**	**9,812**	**92,427**
Current	75,583	9,167	84,750
Non-current	7,032	645	7,677
Total	**82,615**	**9,812**	**92,427**

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

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

Employee benefits are guaranteed by the State of Victoria. This guarantee does not satisfy the recognition criteria under the AAS's 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 are recognised as part of the employee benefit provision as current liabilities, as the Group does not have an unconditional right to defer the settlement of these liabilities.

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

- undiscounted value – if 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

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

Unconditional LSL is disclosed 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 – if the Group expects to wholly settle within 12 months; or
- present value – if 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 the requisite seven years of continuous service. This non-current LSL liability is measured at present value.

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Group 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. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

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

3.4 Superannuation contributions

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

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 ("DTF") discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

The 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**	
	2019	**2018**	**2019**	**2018**
Fund	$'000	$'000	$'000	$'000
Defined benefit plans[i]				
State Superannuation Fund – revised and new	6,591	6,480	576	563
Transport Superannuation Fund	2,435	2,414	216	211
Total defined benefit plans	**9,026**	**8,894**	**792**	**774**
Defined contribution plans				
VicSuper	10,342	8,695	954	780
Various other	8,744	6,933	670	529
Total defined contribution plans	**19,086**	**15,628**	**1,624**	**1,309**
Total superannuation plans	**28,112**	**24,522**	**2,416**	**2,083**

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

	2019	2018
	$'000	$'000

3.5 Administrative expenses

Administrative expenses are made up of the following expense categories:

	2019	2018
Information technology and communication	14,627	21,862
Motor vehicle	8,163	7,171
Other administration	28,521	26,767
Total administration	**51,311**	**55,800**

	2019	2018
Selling	1,213	1,249
Marketing and communication	1,834	2,549
Customer services	3,919	2,127
Total Administrative expenses	**58,277**	**61,725**

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

3.6 Project expenses

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

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

3.7 Infrastructure maintenance

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

3.8 Trains provided free of charge

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. 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. Income of an equal amount is also recognised in the Consolidated Comprehensive Operating Statement. Therefore, the net impact arising from this recognition on Comprehensive Income is zero.

	2019	2018
	$'000	$'000

3.9 Income tax expense/(benefit)

	2019 $'000	2018 $'000
Accounting loss before income tax	(28,695)	(1,870)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)	(8,609)	(561)
Derecognition/(recognition) of deferred tax asset on losses	10,269	(1,543)
Income tax expense/(benefit)	**1,660**	**(2,104)**

The components of tax expense/(benefit) comprises:

	2019 $'000	2018 $'000
Current tax	(4,928)	2,099
Deferred tax	6,588	(4,203)
Balance	**1,660**	**(2,104)**

	2019	2018
Weighted average tax rate	-5.78%	112.5%

3.10 Leases

Operating lease payments, 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 lease term, unless another systematic basis is more representative of the pattern of the benefits derived from the use of the leased assets.

3.11 Other economic flows included in net result

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

(a) Net gains on financial instruments

	2019 $'000	2018 $'000
Allowance for impairment losses of contractual receivables	(108)	(38)
Net gain on hedge	4,005	3,940
Total net gains on financial instruments	**3,897**	**3,902**

(b) Other losses from other economic flows

	2019 $'000	2018 $'000
Net loss arising from revaluation of long service leave liability	(2,361)	(48)
Total other losses from other economic flows	**(2,361)**	**(48)**

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

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

Fair value measurement

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

Structure

4.1 Property, plant, and equipment

4.1.1 Classification by purpose – carrying amounts[i]

	Transport [ii] 2019	Transport [ii] 2018
	$'000	$'000
Rolling stock		
At fair value	127,104	128,354
Accumulated depreciation	(49,302)	(43,559)
Net carrying amount	**77,802**	**84,795**
Rolling stock – capitalised improvements		
At fair value	41,036	31,264
Accumulated depreciation	(18,952)	(10,857)
Net carrying amount	**22,084**	**20,407**
Plant and equipment		
At fair value	37,177	35,378
Accumulated depreciation	(31,082)	(29,969)
Net carrying amount	**6,095**	**5,409**
Leasehold Improvements		
At fair value	6,465	6,554
Accumulated depreciation	(5,053)	(4,759)
Net carrying amount	**1,412**	**1,795**
Capital works in progress	**20,783**	**12,050**
Total property, plant, and equipment	**128,176**	**124,456**

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

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 current replacement cost, adjusting for the associated depreciation.

i. Property plant and equipment are classified primarily by the 'purpose' for which the assets are used, based upon the Classification of the functions of government ("COFOG") categories. All assets in a COFOG category are further sub-categorised according to the assets' 'nature' (i.e. buildings, plant, and equipment, etc.), with each sub-category being classified as a separate class of asset for financial reporting purposes.
ii. The Group classifies all its property, plant, and equipment into the Transport category, based upon the government's COFOG framework.

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

There were no changes in valuation techniques throughout the period to 30 June 2019.

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

	Transport	
	2019	**2018**
	$'000	$'000
4.1.2 Classification by purpose – movement in carrying amounts		
Rolling stock at fair value		
Carrying amount at beginning of year	84,795	92,421
Depreciation expense	(6,993)	(7,626)
Carrying amount at end of year	**77,802**	**84,795**
Rolling stock at cost – capitalised improvements		
Carrying amount at beginning of year	20,407	14,922
Additions	9,772	12,583
Disposals	–	(995)
Depreciation expense	(8,095)	(6,103)
Carrying amount at end of year	**22,084**	**20,407**
Plant and equipment		
Carrying amount at beginning of year	5,409	5,161
Additions	1,799	1,754
Disposals	–	(605)
Depreciation expense	(1,113)	(901)
Carrying amount at end of year	**6,095**	**5,409**
Leasehold improvements		
Carrying amount at beginning of year	1,795	2,280
Additions	204	259
Disposals	(265)	(347)
Depreciation expense	(322)	(397)
Carrying amount at end of year	**1,412**	**1,795**
Capital works in progress		
Carrying amount at beginning of year	12,050	3,478
Additions	9,631	9,587
Net movements to Intangible assets	–	163
Net transfers	(898)	(1,178)
Carrying amount at end of year	**20,783**	**12,050**

	Transport	
	2019	**2018**
	$'000	$'000
Total property, plant, and equipment		
Carrying amount at beginning of year	124,456	118,262
Additions	21,406	24,183
Disposals	(265)	(1,947)
Depreciation expense	(16,523)	(15,027)
Net movements to Intangible assets	–	163
Net transfers	(898)	(1,178)
Carrying amount at end of year	**128,176**	**124,456**

4.1.3 Rolling stock

The rolling stock fleet comprises diesel electric locomotives, carriages, diesel multiple units (known as Sprinters) and vans. Repairs and maintenance work on the rolling stock is scheduled in accordance with 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, as part of the rolling stock management plan, consists of major examinations and overhauls of rolling stock. The Group treats these examinations as significant upgrades, which extend the useful life of the rolling stock. The refurbishment program will allow for the fleet to operate to the current useful life profile as per the 2015 Valuer General Victoria ("VGV") full valuation. The refurbishment program also includes the replacement of major units such as traction and locomotive motors, generators, wheel sets and bogies. These items are capitalised and depreciated over their useful life. All other maintenance examinations and minor work are treated as repairs and maintenance and expensed when incurred.

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 of valuation have been used.

The current 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 $122.3 million.

The Group considers that the net carrying amount of the rolling stock as at 30 June 2019 is a reasonable approximation of its fair value.

Non-financial physical assets are measured at fair value in accordance with FRD 103H *Non-financial physical assets* 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 5-year revaluation cycle based on the assets' COFOG 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 VGV. The Group has adopted current replacement cost as the valuation basis for its rolling stock. This approach is in accordance with the requirements of AASB 136 and FRD 106B, 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.

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.

4.1.4 Leasehold improvements

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

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

	2019	2018
	$'000	$'000

4.2 Depreciation and impairment

Depreciation and amortisation – charge for the period		
Rolling stock	6,993	7,626
Rolling stock – capitalised improvements	8,095	6,103
Plant and equipment	1,113	901
Leasehold improvements	322	397
Intangible assets	4,159	4,134
Total depreciation and amortisation	**20,682**	**19,161**

Depreciation

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

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

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

Impairment

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

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior years.

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

	Computer software		Total	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000

4.3 Intangible assets

Gross carrying amount				
Opening balance	16,756	16,919	16,756	16,919
Net movements to capital works in progress	–	(163)	–	(163)
Disposals	(1,425)	–	(1,425)	–
Closing balance	**15,331**	**16,756**	**15,331**	**16,756**
Accumulated amortisation				
Opening balance	(9,448)	(5,314)	(9,448)	(5,314)
Disposals	742	–	742	–
Amortisation of intangible assets	(4,159)	(4,134)	(4,159)	(4,134)
Closing balance	**(12,865)**	**(9,448)**	**(12,865)**	**(9,448)**
Net book value at end of financial year	**2,466**	**7,308**	**2,466**	**7,308**

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.

Amortisation

Intangible assets with finite lives are amortised 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.

Impairment

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

4.4 Investment in Subsidiaries

Investments in subsidiaries are carried at cost.

5. OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from the Group's controlled operations.

Structure

	2019	2018
	$’000	$’000
5.1 Receivables		
Contractual		
Trade receivables	18,740	43,805
Other receivables	18,196	40,500
Allowance for impairment of contractual receivables	(171)	(110)
	36,765	**84,195**
Statutory		
Fuel rebate receivable from the ATO	1,457	4,418
	1,457	**4,418**
Total receivables	**38,222**	**88,613**
Represented by		
Current receivables	36,765	84,195
Non-current receivables	–	–
Related party receivables (included in contractual receivables)		
Public Transport Victoria (“PTV”) and Department of Transport (“DoT”) [formerly Department of Economic Development, Jobs, Transport and Resources (“DEDJTR”)] and its associated entities	27,464	66,576
Other related parties	471	1,157
	27,935	**67,733**

Receivables consist of:

- Contractual receivables, such as debtors in relation to sales of goods and services. They represent passenger, inter-operator and other revenues receivable. They are classified as financial instruments and categorised as ‘financial assets at amortised cost’. They are initially recognised at fair value plus any directly attributable transaction costs. The Group holds the contractual receivables with the objective to collect the contractual cash flows and therefore they are subsequently measured at amortised cost using the effective interest method, less any impairment.
- Statutory receivables, such as amounts owing from the Australian Taxation Office (“ATO”) relating to fuel tax credits, do not arise from contracts. They are classified as financial instruments and are recognised and measured similarly to contractual receivables. They are initially recognised at fair value plus any directly attributable transaction cost.

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

Related party receivables predominantly consist of amounts owing from PTV and DoT and its associated entities 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.

	2019	2018
	$'000	$'000
5.2 Payables		
Contractual		
Trade payables – unsecured	28,046	58,234
Superannuation payable	2,485	2,102
Accruals	28,604	46,630
Deferred income	10,805	64,560
Other payables	7,400	5,902
	77,340	**177,428**
Statutory		
GST payable	1,131	(490)
FBT payable	160	127
Other taxes payable	4,810	3,921
WorkCover payable	22	61
	6,123	**3,619**
Total payables	**83,463**	**181,047**
Related party payables (included in Trade Payables – unsecured)		
DoT and its associated entities, VicTrack and VicRoads	1,784	1,225

Payables consist of:

- contractual payables, such as trade payables, and unearned income from tickets sold relating to trips that will be taken after the reporting date and deferred income. Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. They are classified as financial instruments and are measured at amortised cost; and
- statutory payables, such as goods and services tax, fringe benefits tax payables, and payroll related payables. They are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

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

Maturity analysis of contractual payables[a]	Carrying amount	**Maturity Dates**				
		Less than 1 month	1-3 months	3 months – 1 year	1-5 years	5+ years
	$'000	$'000	$'000	$'000	$'000	$'000
2019						
Payables:						
Trade payables	28,046	27,202	526	318	–	–
Superannuation	2,485	–	2,485	–	–	–
Accruals	28,604	–	28,604	–	–	–
Other payables	7,400	7,400	–	–	–	–
Total	**66,535**	**34,602**	**31,615**	**318**	–	–
2018						
Payables:						
Trade payables	58,234	55,686	2,078	470	–	–
Superannuation	2,102	–	2,102	–	–	–
Accruals	46,630	–	46,630	–	–	–
Other payables	5,902	5,902	–	–	–	–
Total	**112,868**	**61,588**	**50,810**	**470**	–	–

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

	Notes	**2019**	**2018**
		$'000	$'000
5.3 Inventories			
Spares and materials at cost		27,838	34,238

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

The Group 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.

	2019	2018
	$'000	$'000

5.4 Taxes

Deferred tax balances

Gross deferred tax assets – temporary differences

Recognised losses available for offsetting against future taxable income	(3,094)	2,209
Accruals	1,809	684
Provision for employee entitlements	26,824	25,344
Other provisions	52	33
Equity – Fuel Hedge Reserve	309	–
Total deferred tax assets	**25,900**	**28,270**

Deferred tax liability

Accelerated depreciation for taxation purposes	25,900	26,919
Equity – Fuel Hedge Reserve	–	1,351
Total deferred tax liability	**25,900**	**28,270**

Net deferred tax asset/(liability)	**–**	**–**

Movement in deferred tax liability:

Opening net deferred tax liability	–	–
Deferred tax movement through equity	1,660	(2,104)
Utilisation of carry forward tax losses	–	(2,099)
Prior year deferred tax benefit/(expense)	–	452
Recognition of prior year carry forward tax losses	(5,866)	1,543
Current year deferred tax benefit/(expense)	4,206	2,208
Aggregate deferred tax asset/(liability)	**–**	**–**

The Group has no unrecognised deferred tax assets attributable to carry forward tax losses (2018: nil).

Amount charged directly to equity

Fuel hedge reserves	(309)	1,351
Total amount charged to equity	(309)	1,351

By direction of the Treasurer of Victoria, under the *State Owned Enterprise Act 1992*, the Group entered into the National Tax Equivalent Regime ("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 taxable income will be available against which deductible temporary differences can be utilised.

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

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 Group 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 NTER, V/Line Corporation and its subsidiary V/Line Pty Ltd 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. The tax obligations of V/Line Pty Ltd were transferred to V/Line Corporation on 17 February 2018.

	2019	2018
	$'000	$'000

5.5 Other non-financial assets

Current other non-financial assets		
Prepayments	6,536	5,656
Total other non-financial assets	**6,536**	**5,656**

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

5.6 Other financial assets

Current other financial assets		
Fuel hedge derivative	–	4,504
Total other financial assets	**–**	**4,504**

5.7 Other financial liabilities

Current other financial liabilities		
Fuel hedge derivative	1,030	–
Total other financial liabilities	**1,030**	**–**

To reduce the volatility and provide increased certainty over its diesel fuel exposure the Group has entered in to diesel fuel hedges with Treasury Corporation of Victoria ("TCV"). As at 30 June 2019, the Group has monthly diesel fuel hedges maturing until March 2020.

6. HOW WE FINANCED OUR OPERATIONS

Introduction

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

This section includes disclosures of balances that are financial instruments (such as cash balances).

Structure

	2019	2018
	$'000	$'000

6.1 Cash flow information and balances

Cash at bank	6,871	68,110
Cash on hand	159	156
Total cash and cash equivalents as per cash flow statement	**7,030**	**68,266**

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

6.1.1 Reconciliation of net result for the reporting period to net cash flows from operating activities

Net result for the period	**(30,355)**	**234**
Non-cash movements		
Depreciation and amortisation of non-current assets	20,682	19,161
Tax expense/(benefit)	1,660	(2,104)
Movements in assets and liabilities		
Decrease/(increase) in trade and other receivables	50,392	(29,015)
Decrease/(increase) in inventories	6,401	(16,293)
(Increase) in prepayments	(880)	(716)
(Decrease)/increase in trade and other payables	(97,584)	105,205
Increase in employee related provisions	8,009	5,290
Net cash flows (used in)/generated from operating activities	**(41,675)**	**81,762**

6.2 Commitments for expenditure

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

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

	2019	2018
Nominal values	$'000	$'000
Capital commitments payable		
Less than 1 year	1,626	–
Longer than 1 year but not longer than 5 years	–	–
5 years or more	–	–
Total capital commitments	**1,626**	**–**
Operating lease commitments payable		
Less than 1 year	10,822	9,609
Longer than 1 year but not longer than 5 years	28,453	15,658
5 years or more	23,079	1,508
Total operating lease commitments	**62,354**	**26,775**
Other commitments payable		
Less than 1 year	254	162
Longer than 1 year but not longer than 5 years	356	2
5 years or more	–	–
Total other commitments	**610**	**164**
Total commitments (inclusive of GST)	**64,590**	**26,939**
Less GST recoverable from the ATO	5,872	2,449
Total commitments (exclusive of GST)	**58,718**	**24,490**

Commitments for future expenditure primarily relate to the lease of tools of trade, vehicles and plant and equipment. There are also commercial lease agreements in relation to tenancies at 628 Bourke Street Melbourne, 452 Flinders Street Melbourne and 500, 707 and 750 Collins Street Docklands with various expiry dates respectively and include certain fixed percentage increases at the dates specified in the agreements. The total operating lease expense for the year was $10.3 million (2018: $9.7 million).

7. RISKS, CONTINGENCIES, & VALUATION JUDGEMENTS

Introduction

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

Structure

7.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Group's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example statutory receivables arising from taxes, fines and penalties).

From 1 July 2018, the Group applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Categories of financial assets under AASB 9

Financial assets at amortised cost

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

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

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

The Group recognises the following assets in this category:

- Cash and cash equivalents; and
- Receivables (including statutory receivables).

Financial assets at fair value through other comprehensive income

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

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

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

The Group does not hold any financial assets within this category.

Financial assets at fair value through net results

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

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

The Group classifies its derivative financial instruments as at fair value through net result.

Categories of financial assets previously under AASB 139

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 and liabilities 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.

In the previous reporting period, the Group recognised cash and cash equivalents and receivables (excluding statutory receivables) in this category.

Available-for-sale financial assets

Available-for-sale financial assets are those designated as available-for-sale or not classified in any other category of financial instruments. 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 'Other economic flows – other comprehensive income' until the investments are disposed. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

The Group did not recognise any investments in this category.

Categories of financial liabilities under AASB 9 and previously under AASB 139

Financial liabilities at amortised cost

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

Derivative financial instruments

Derivative financial instruments are classified as financial assets and liabilities at fair value through net result. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses 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 its derivative financial instruments as cash flow hedges and applies hedge accounting to these transactions (refer to Note 7.1.3 – Commodity Risk).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Group concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Derecognition of financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the assets have expired; or
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred not retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has neither transferred not retained substantially all the risks and rewards or has transferred control, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Derecognition of financial liabilities

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

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

Reclassification of financial instruments

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

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

7.1.1 Financial instruments: Categorisation

2019	Cash and deposits $'000	Financial assets at amortised cost (AC) $'000	Financial assets/ liabilities measured at fair value through profit/loss (FVTPL) $'000	Financial liabilities at amortised cost (AC) $'000
Financial assets				
Cash and cash equivalents	7,030	–	–	–
Trade and other receivables	–	36,765	–	–
Statutory receivables	–	1,457	–	–
Total financial assets	**7,030**	**38,222**	**–**	**–**
Financial liabilities				
Trade and other payables	–	–	–	66,535
Fuel hedge derivative	–	–	1,030	–
Total financial liabilities	**–**	**–**	**1,030**	**66,535**

2018	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	–	68,266	–
Trade and other receivables[(a)]	–	84,195	–
Fuel hedge derivative	4,504	–	–
Total contractual financial assets	**4,504**	**152,461**	**–**
Contractual financial liabilities			
Trade and other payables	–	–	112,868
Total contractual financial liabilities	**–**	**–**	**112,868**

Note: (a) The total amounts disclosed here exclude statutory amounts.

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

	Interest Income $'000	Net holding gain $'000	Impairment loss $'000	Total $'000
2019				
Contractual financial assets				
Financial assets at amortised cost – other than on derecognition	871	–	(108)	763
Fuel hedge derivative	–	4,005	–	4,005
Total contractual financial assets	**871**	**4,005**	**(108)**	**4,768**
2018				
Contractual financial assets				
Financial assets – loans and receivables	983	–	(38)	945
Fuel hedge derivative	–	3,940	–	3,940
Total contractual financial assets	**983**	**3,940**	**(38)**	**4,885**

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

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

7.1.3 Financial risk management objectives and policies

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

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

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

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

The Group uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the financial risk management committee of the Group.

Credit risk

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

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

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

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

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

There has been no change to the Group's credit risk profile in 2018-19.

Credit quality of financial assets	AAA Credit Rating $'000	Other $'000	Total $'000
2019			
Financial assets with loss allowance measured at 12-month expected credit loss			
Cash and cash equivalents	7,030	–	7,030
Statutory receivables (no impairment loss recognised)	1,457	–	1,457
Financial assets with loss allowance measured at lifetime expected credit loss			
Contractual receivables (applying the simplified approach for impairment)	27,921	8,844	36,765
Total financial assets	**36,408**	**8,844**	**45,252**

Credit quality of financial assets that are neither past due nor impaired	AAA Credit Rating $'000	Other $'000	Total $'000
2018			
Contractual financial assets			
Cash and cash equivalents	68,266	–	68,266
Trade and other receivables[(a)]	68,723	15,472	84,195
Fuel hedge derivative	4,504	–	4,504
Total contractual financial assets	**141,493**	**15,472**	**156,965**

Note: (a) The total amounts disclosed here exclude statutory amounts.

Impairment of financial assets under AASB 9 – applicable from 1 July 2018

From 1 July 2018, the Group has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9, impairment assessment includes the Group's cash and cash equivalents, contractual receivables and statutory receivables. Financial assets measured at fair value through net result are not subject to impairment assessment under AASB 9.

Contractual receivables at amortised cost

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

On this basis, the Group determines the opening loss allowance on initial application date of AASB 9 and the closing allowance at the end of the financial year as follows:

	Current	Less than 1 month	1-3 months	> 3 months	Total
30 June 2019					
Government-related contractual receivables					
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables ($'000)	24,880	596	285	2,160	27,921
Loss allowance ($'000)	–	–	–	–	–
Other contractual receivables					
Expected loss rate	0.0%	0.0%	0.0%	97.7%	
Gross carrying amount of contractual receivables ($'000)	6,879	1,283	678	175	9,015
Loss allowance ($'000)	–	–	–	171	171
1 July 2018					
Government-related contractual receivables					
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables ($'000)	67,736	(64)	417	634	68,723
Loss allowance ($'000)	–	–	–	–	–
Other contractual receivables					
Expected loss rate	0.0%	0.0%	0.0%	31.3%	
Gross carrying amount of contractual receivables ($'000)	12,876	1,518	837	351	15,582
Loss allowance ($'000)	–	–	–	110	110

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

	2019	2018
	$'000	$'000
Balance at the beginning of the year	(110)	(187)
Adjustment to opening retained earnings on adoption of AASB 9	–	–
Opening loss allowance	(110)	(187)
Increase in the allowance recognised in the net result	(108)	(38)
Reversal of allowance for receivables written off during the year as uncollectible	47	115
Balance at the end of the year	**(171)**	**(110)**

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

In prior years, an allowance for impairment of contractual financial assets was recognised when there was objective evidence that the Group would not be able to collect a receivable. Bad debts were considered as written off by mutual consent.

Cash and cash equivalents and statutory receivables at amortised cost

Cash and cash equivalents, consisting of bank deposits placed at call, and statutory receivables are considered to have low credit risk, after taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As a result, the loss allowance recognised for these financial assets during the period is limited to 12 months expected losses. No loss allowance was recognised at 30 June 2018 under AASB 139, and no additional loss allowance was required upon transition to AASB 9 on 1 July 2018.

Derivatives at fair value through net result

The Group is also exposed to credit risk in relation to hedging derivatives that are designated at fair value through net result. In line with AASB 9, the Group does not apply the impairment assessment requirements on these financial assets. As at 30 June 2019, there was no exposure to credit risk in relation to these hedging derivatives as they were in a net payable position (2018: maximum exposure of $4,504,000).

Liquidity risk

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

DoT has agreed to provide adequate cash flow support through PTV via a Letter of Support to enable the Group to meet its current and future operational obligations as and when they fall due for a period up to September 2020, should this be required. This assurance from DoT for financial support, details of which are set out in the Letter of Support, only applies while the Group remains in full state ownership.

Refer to Note 5.2 for the maturity analysis of contractual financial liabilities.

Market risk

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

Sensitivity disclosure analysis and assumptions

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 (2018: 100 basis points up and down) in market interest rates, would result in the net result increasing/(decreasing) by $70,300/ ($70,300) (2018: $682,660/ ($682,660)).

In relation to the diesel fuel swap hedges, the movement of 10% up and down in Gasoil 10PPM 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 liabilities and the hedge reserve will (decrease)/increase by ($2,264,540)/ $2,264,540 (2018: $2,341,324/ ($2,341,324)).

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. 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.

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 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. Accordingly, management monitors movements in interest rates on a daily basis.

As at 30 June 2019 and 2018 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:

		Interest rate exposure		
	Weighted average interest rate	Floating interest rate	Non-interest bearing	Total
		$'000	$'000	$'000
2019				
Financial assets				
Cash and cash equivalents	1.48%	7,030	–	7,030
Contractual trade and other receivables	n/a	–	36,765	36,765
Statutory receivables	n/a	–	1,457	1,457
Total financial assets		**7,030**	**38,222**	**45,252**
Financial liabilities				
Contractual trade and other payables	n/a	–	66,535	66,535
Fuel hedge derivative	n/a	–	1,030	1,030
Total financial liabilities		**–**	**67,565**	**67,565**
2018				
Financial assets				
Cash and cash equivalents	1.50%	68,266	–	68,266
Contractual trade and other receivables	n/a	–	84,195	84,195
Fuel hedge derivative	n/a	–	4,504	4,504
Total financial assets		**68,266**	**88,699**	**156,965**
Financial liabilities				
Contractual trade and other payables	n/a	–	112,868	112,868
Total financial liabilities		–	**112,868**	**112,868**

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

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

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

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

As at 30 June 2019, the Group has monthly diesel fuel hedges maturing until March 2020. The cash flow impact will be incurred in the month that the hedges mature. At the end of the reporting period, the details of outstanding diesel hedging contracts are as follows:

	Average fixed diesel fuel price cents per litre	Nominal Quantity '000 litres	Notional Principal $'000	Carrying Amount – Fair Value $'000
2019				
Less than 1 year	73.5	32,359	23,789	(1,030)
1 to 2 years	–	–	–	–
2 to 5 years	–	–	–	–
		32,359	**23,789**	**(1,030)**
2018				
Less than 1 year	60.6	31,484	19,084	4,504
1 to 2 years	–	–	–	–
2 to 5 years	–	–	–	–
		31,484	**19,084**	**4,504**

The carrying amount of the hedging contracts are recognised in Other Financial Assets when the value is positive and Other Financial Liabilities when the value is negative in the consolidated balance sheet.

	2019	**2018**
	$'000	$'000
Reconciliation of Cash flow hedge reserve		
Opening balance	3,152	(1,756)
Revaluations to fair value, net of tax	132	8,848
Gain on settlement of hedge transferred to Net result – Other economic flows	(4,005)	(3,940)
Closing balance, net of tax	**(721)**	**3,152**

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 the Cash flow hedge reserve in equity to the net result during the period due to its diesel fuel hedges being ineffective. There were no cash flow hedges that were rebalanced or discontinued during the period.

Foreign currency risk

The Group is exposed to foreign currency risk arising from AUD/USD and AUD/EUR exchange rate fluctuations through its fleet maintenance program. The Group in conjunction with TCV and DTF are in the process of establishing a mitigation strategy to manage the foreign currency exposure. It is anticipated that this strategy will be operational in the 2019-20 financial year. The Group is also exposed to the AUD/USD exchange rate fluctuations through its exposure to diesel fuel. The exchange rate risk on the diesel fuel purchases is mitigated through the diesel fuel hedges.

7.2 Contingent assets and contingent liabilities

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

Contingent assets

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

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

There are no material contingent assets.

Contingent liabilities

Contingent liabilities are:

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

The only quantifiable contingent liability relates to a bank guarantee ($0.5m) for the Group's office at 500 Collins Street. The Group's other contingent liabilities are classified as non-quantifiable and relate to:

A number of claims arising from freight derailments which have been referred to V/Line's insurers who are dealing with the claims.

V/Line is defending a number of claims relating to personal injuries. 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 liability is limited to the insurance deductible amount.

V/Line's operations are subject to various environmental regulations under both Commonwealth and State laws. V/Line takes active steps to improve its environmental management systems and ongoing internal procedures, to help discharge obligations under these laws. In 2018-19 V/Line investigated all incidents of alleged vegetation disturbance associated with V/Line activities and where necessary worked with the Department of Environment, Land, Water, and Planning (DELWP) to put in place remediation plans.

V/Line is currently managing issues associated with planning permit requirements for vegetation impacts of the Murray Basin Project between Maryborough and Ararat. V/Line is currently in the process of securing the calculated vegetation offsets required and has engaged an environmental consultant to determine additional offsets.

Two Clean Up Notices issued under section 62A of the *Environment Protection Act 1970 (Vic)* (EP Act) in May 2018 in relation to dumped rubbish and spoil on the South Western line by third parties were addressed. Remediation and verification of these sites was undertaken, and the notices were rescinded.

A further Clean Up Notice relating to the identification of soil historically contaminated with asbestos by unknown third parties on the western line was issued in September 2018. V/Line undertook remediation activities and verification, and the notice has been rescinded.

A Pollution Abatement Notice was issued under section 31A of the EP Act in late 2018 relating to discharge from a train engine stabled at South Dynon. Remedial action was undertaken and the notice has been rescinded.

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

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

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

The following assets and liabilities are carried at fair value:

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

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

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 *Fair Value Measurement* and the relevant Financial Reporting Directions.

Fair value hierarchy

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

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

7.3.1 Fair value determination of financial assets and liabilities

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 all other financial assets and financial liabilities approximate their fair values due to their short-term nature or with the expectation that they will be paid in full by the end of the next reporting period. They are shown below:

	2019	2018
	$'000	$'000
Financial assets		
Cash and cash equivalents	7,030	68,266
Trade and other receivables[(a)]	38,222	84,195
Fuel hedge derivative	–	4,504
Total financial assets	**45,252**	**156,965**
Financial liabilities		
Trade and other payables	66,535	112,868
Fuel hedge derivative	1,030	–
Total financial liabilities	**67,565**	**112,868**
Net financial assets	**(22,313)**	**44,097**

Note: (a) The total amount disclosed for 2019 includes statutory amounts, whereas the total amount disclosed for 2018 excludes statutory amounts.

Valuation techniques and inputs used to measure level 2 fair values

	Fair Value at 30 June 2019 ($'000)	Valuation technique	Inputs used
Diesel fuel swap hedges	(1,030)	Income approach using discounted cash flow methodology	Commodity price AUD: USD exchange rates

7.3.2 Fair value determination of non-financial physical assets

Fair value measurement hierarchy for assets

	Carrying amount as at 30 June 2019	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
2019				
Plant and equipment at fair value	6,095	–	–	6,095
Rolling stock at fair value	77,802	–	–	77,802
Leasehold improvements at fair value	1,412	–	–	1,412
Rolling stock – capitalised improvements at fair value	22,084	–	–	22,084

	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
2018				
Plant and equipment at fair value	5,409	–	–	5,409
Rolling stock at fair value	84,795	–	–	84,795
Leasehold improvements at fair value	1,795	–	–	1,795
Rolling stock – capitalised improvements at fair value	20,407	–	–	20,407

There have been no transfers between levels during the period.

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 current replacement cost, adjusted for the associated depreciation.

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.

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

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

There were no changes in valuation techniques throughout the period to 30 June 2019.

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

Description of significant unobservable inputs to Level 3 valuations

2019 & 2018	**Valuation technique**	**Significant Unobservable Inputs**
Plant and equipment	Current replacement cost	Cost per unit Useful life of plant and equipment
Rolling stock	Current replacement cost	Cost per unit Useful life of rolling stock
Leasehold improvements	Current replacement cost	Cost of improvement Shorter of the remaining term of the lease or the useful life of the improvement
Rolling stock – capitalised improvements	Current replacement cost	Cost per improvement Useful life of capitalised improvement

Significant unobservable inputs have remained unchanged since June 2018.

8. OTHER DISCLOSURES

Introduction

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

Structure

8.1 Scope and presentation of financial statements

Consolidated comprehensive operating statement

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

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

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

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

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

Consolidated balance sheet

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

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

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*.

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'.

8.2 Not for profit

The Board is of the view that the Group 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 108C *Classification of entities as for-profit*. The Group has a Partnership 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.

8.3 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.

Each year the Group undertakes normal budget processes that form part of the State Government of Victoria's forward budget estimates. This process provides funding for up to four years. Allocations are made through the State Government of Victoria's budget to enable the Group to meet its output obligations under the Partnership Agreement with PTV, which is in place until 1 January 2023. Once the budget allocation is approved, the final funding available to the Group is determined for that year. Funding requirements for the year ending 30 June 2020 have been set under an approved budget allocation.

DoT 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. This support is formalised via a letter of support from DoT. This assurance from DoT for financial support, details of which are set out in the Letter of Support, only applies while the Group remains in full state ownership.

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 $89.6 million (2018: $57.3 million) this financial report has been prepared on a going concern basis as the Group is financially subsidised by its ultimate parent entity, the State Government of Victoria, pursuant to a Partnership Agreement with PTV, which was executed on 1 January 2018.

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.

8.4 Restructuring of administrative arrangements

In accordance with legislative amendments to the *Transport Integration Act 2010*, in the previous reporting period, V/Line undertook a transfer of its entire business; employees, assets, rights, liabilities, and obligations from the operative subsidiary V/Line Pty Ltd to its parent entity, V/Line Corporation. The transfer date was confirmed by the Minister for Public Transport and occurred on 17 February 2018. As at the transfer date, V/Line Corporation employed all staff, owns all assets, exercises all rights, and assumes all liabilities that formerly resided with V/Line Pty Ltd. The members voluntary liquidation will commence in the 2019-20 financial year.

8.5 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.

8.6 Responsible persons

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

Names

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

Minister for Public Transport	The Hon. Melissa Horne, MP	29 November 2018 to 30 June 2019
Minister for Public Transport	The Hon. Jacinta Allan, MP	01 July 2018 to 30 October 2018
Treasurer	Mr Tim Pallas, MP	01 July 2018 to 30 June 2019
Chief Executive Officer	Mr James Pinder	01 July 2018 to 30 June 2019

Government caretaker conventions applied from 1 – 28 November 2018.

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Group during the reporting period was in the range of $490,000 - $499,999 (2018: $450,000 - $459,999).

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

8.7 Remuneration of executives

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

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

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

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

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

	2019	2018
	$'000	$'000
Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.10)		
Short-term employee benefits	2,909,888	3,196,289
Post-employment benefits	236,050	279,487
Termination benefits	219,869	–
Total remuneration	**3,365,807**	**3,475,776**
Total number of executives [(a)]	**12**	**13**
Total annualised employee equivalent (AEE) [(b)]	**10**	**11**

(a) The total number of executive officers includes persons who meet the definition of Key Management Personnel under AASB 124 *Related Party Disclosures* and are also reported within the related parties disclosure note.

(b) Annualised employee equivalent is based on the time fraction worked during the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week).

8.8 Remuneration of auditors

	2019	2018
Amounts received or due and receivable by the auditors for auditing the Group:		
Audit of the financial statements – Victorian Auditor-General's Office	96	103
	96	**103**

8.9 Equity

	2019	2018
Accumulated deficit		
Balance at beginning of the year	(59,547)	(59,781)
Net result	(30,355)	234
Balance at end of the year	**(89,902)**	**(59,547)**
Physical asset revaluation surplus [(1)]		
Balance at beginning of the year	123,971	123,971
Net increase/(decrease) in Asset revaluation reserve	–	–
Balance at end of the year	**123,971**	**123,971**
Hedge reserve [(2)]		
Balance at beginning of the year	3,152	(1,756)
Net (decrease)/increase in Hedge reserve	(3,873)	4,908
Balance at end of the year	**(721)**	**3,152**

(1) The physical asset revaluation surplus arises on the revaluation of the "classic fleet" rolling stock.

(2) The hedge reserve surplus arises from recording the valuation of the fuel hedge net of income tax effect.

8.10 Related parties

The Group is a Victorian statutory corporation and is a controlled entity of the State of Victoria.

Related parties of the Group include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures, and entities they have significant influence over);
- all Cabinet Ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

During the year, the Group had the following government-related entity transactions:

			2019	2018
Related party	Nature of transaction	Terms and conditions	$	$
Expenses				
Public Transport Victoria (PTV)	Provision of network marketing and customer information services including operation of a call centre	In accordance with the Partnership Agreement	930,350	677,895
Victorian Rail Track	Provision of communication services	In accordance with agreement between the parties	16,976,194	18,345,560
Department of Environment Land Water and Planning	Valuation of non-financial assets, heritage applications and purchase of native vegetation credits	In accordance with agreement between the parties	87,838	7,110
Treasury Corporation Victoria (TCV)	Diesel fuel hedges	In accordance with agreement between the parties	54,016	56,561

Related party	Nature of transaction	Terms and conditions	2019 $	2018 $
Revenue				
Public Transport Victoria (PTV)	Provides funding to the Group	In accordance with the Partnership Agreement	546,606,589	505,617,857
Public Transport Victoria (PTV)	myki/Ticket sales	In accordance with the Revenue Sharing agreement	72,606,950	70,369,077
Public Transport Victoria (PTV)	Reimbursement of project expenditure	In accordance with agreement between the parties	93,538,895	191,526,835
Public Transport Victoria (PTV)	Free use of VLocity trains	In accordance with agreement between the parties	45,880,946	43,957,804
VicRoads	Reimbursement of project expenditure	In accordance with agreement between the parties	5,683	35,404
VicRoads	Network access charges	In accordance with agreement between the parties	15,717	11,257
Department of Transport (DoT) [formerly Department of Economic Development, Jobs, Transport, and Resources (DEDJTR)] and its associated entities	Reimbursement of project expenditure	In accordance with agreement between the parties	108,650,849	201,092,016
Department of Transport (DoT) [formerly Department of Economic Development, Jobs, Transport, and Resources (DEDJTR)] and its associated entities	Network access charges	In accordance with agreement between the parties	39,537	–
Victorian Rail Track	Network access charges	In accordance with agreement between the parties	10,982	(8,032)
Victorian Rail Track	Reimbursement of project expenditure	In accordance with agreement between the parties	1,139,841	607,393

Key Management Personnel ("KMP") of the Group include the Portfolio Ministers, the Hon. Melissa Horne, MP, the Hon. Jacinta Allan,MP and Treasurer, Mr Tim Pallas, MP, the Accountable Officer, Directors, and members of the Executive Leadership Team.

The names of the Directors during the financial year were:

- Mr Jeroen Weimar – Chair (appointed on 1 July, 2018)
- Mr Craig Cook – Deputy Chair
- Ms Gabrielle Bell
- Mr John Donovan
- Ms Kay Macaulay
- Ms Rachel Thomson

The names of the Executive Leadership Team members during the financial year were:

Chief Executive Officer	James Pinder	Ongoing
Chief Financial Officer	Albert Giorgini	Ongoing
EGM Corporate Planning & Risk	Brendan Geary	Ongoing
EGM Health, Safety & Environment	Dean Matthews	Ongoing
EGM Program & Delivery	Colin Taylor	Ongoing
EGM Asset Management	Alex Panayi	Ongoing
EGM Operations	Paul D'Alessio	Ongoing
EGM Corporate Affairs	Daniel Hoare	Ongoing
EGM Customer	Melinda Button	1/07/2018 – 16/09/2018*
Acting EGM Customer	Jonathan McKeown	1/07/2018 – 16/09/2018
Acting EGM Network Development & Integration	Jonathan McKeown	1/02/2019 – 18/03/2019
EGM Network Development & Integration	Jonathan McKeown	Commenced 19/03/2019
EGM People	Elaine Seckold	Ongoing
Company Secretary	Rebecca Northeast	Ongoing
Acting EGM Corporate Governance	Rebecca Northeast	Commenced 1/02/2019
Chief Operating Officer	Carol-Anne Nelson	Resigned on 6/07/2018

* Maternity leave

The compensation detailed below excludes the salaries and benefits the Portfolio Ministers and Treasurer receive. Their remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

	2019	2018
	$'000	$'000
Remuneration of Key Management Personnel		
Short-term employee benefits	3,565,698	3,873,728
Post-employment benefits	273,321	322,286
Termination benefits	219,869	–
	4,058,888	**4,196,014**

Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and the Group's Codes of Conduct and Standards. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with V/Line, there were no related party transactions that involved key management personnel, their close family members, and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

8.11 Subsequent events

The financial statements were authorised for issue on 14 August 2019.

Subsequent to the end of the financial year, the Directors of V/Line Pty Ltd resolved to commence the voluntary members liquidation of the company. Liquidation will be completed during the 2019-20 financial year.

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.

8.12 Dividends

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

8.13 Change in accounting policies

The Group has elected to apply the limited exemption in AAAB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

(a) Any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period with any differences recognised in opening retained earnings; and

(b) Financial assets and the provision for impairment have not been reclassified and/or restated in the comparative period.

AASB 9 has also introduced a major change to hedge accounting.

This note explains the impact of the adoption of AASB 9 *Financial Instruments* on the Group's financial statements.

8.13.1 Changes to classification and measurement

On initial application of AASB 9 on 1 July 2018, the Group's management has performed an assessment of the classification of all its financial assets based on the Group's business model for managing the assets.

The following are the changes in the classification of the Group's financial assets:

(a) Cash and cash equivalents and contractual receivables previously classified as Loans and Receivables under AASB 139 are now classified as financial assets at amortised cost under AASB 9. There was no difference between the previous carrying amount and the revised carrying amount at 1 July 2018 to be recognised in opening retained earnings.

(b) Statutory receivables were previously not classified as a financial instrument under AASB 139, but have now been reclassified to financial instruments, as financial assets at amortised cost, under AASB 9 and AASB 2016-8. This reclassification has not resulted in any differences in the carrying amounts which require adjustments to opening retained earnings at 1 July 2018.

The classification and accounting for the following financial instruments under AASB 9 remain the same as it was under AASB 139:

(c) Financial liabilities, which are classified as financial liabilities at amortised cost; and

(d) Hedge derivatives, which are classified as financial assets or liabilities at fair value through net result.

The Group's accounting policies for financial assets and liabilities are set out in Note 7.1.1. The following table summarises the required and elected classification upon adoption of AASB 9. The main effects resulting from the reclassification are as follows:

		As at 30 June 2018	As at 1 July 2018 AASB 9 Measurement Categories	
		AASB 139 Measurement Categories	Amortised cost	Fair value through net result
	Notes	$'000	$'000	$'000
AASB 139 Measurement Categories				
Loans and receivables				
Cash and cash equivalents	8.13.1(a)	68,266	68,266	
Contractual receivables	8.13.1(a)	84,195	84,195	
Financial assets/liabilities at fair value through net result				
Hedge derivatives	8.13.1(d)	4,504		4,504
Non-financial instrument				
Statutory receivables	8.13.1(b)	4,418	4,418	

8.13.2 Changes to the impairment of financial assets

Under AASB 9, all financial assets at amortised cost are subject to AASB 9's new expected credit loss ("ECL") impairment model, which replaces AASB 139's incurred loss approach.

The Group applies the AASB 9 simplified approach to measure expected credit losses based on the change in the ECLs over the life of the asset. Application of the lifetime ECL allowance method has not resulted in any change in the opening impairment loss allowance. Refer to Note 7.1.3 for details of the calculation of the allowance. The loss allowance increased further by $108,070 for these financial assets during the reporting period.

For cash and cash equivalents and statutory receivables, the Group considers them to be low risk and therefore determines the loss allowance based on ECLs associated with the probability of default in the next 12 months. Applying the ECL model did not result in the recognition of additional loss allowance (the previous allowance was nil). There was no further increase in the allowance in the current reporting period.

8.13.3 Hedge accounting

AASB 9 better aligns hedge accounting with the risk management practices of an entity by simplifying the rules relating to hedge effectiveness. Under AASB 9, at the inception of a hedge, an entity is required to establish that an economic relationship exists between the hedging instrument and the hedged item and to determine the hedge ratio and the sources of hedge ineffectiveness. The hedge will continue to be effective as long as the economic relationship continues to exist,and is not reliant on the quantitative 80-125% hedge effectiveness test under AASB 139.

Where the hedge ratio of an existing hedge is inappropriate or imbalanced and the hedge may become ineffective, AASB 9 allows entities to rebalance the designated quantities of either the hedged item or the hedging instrument for the purposes of complying with the hedge effectiveness requirements and avoid discontinuing a hedging relationship that would have failed the effectiveness test under AASB 139.

Accounting for hedges under AASB 9 is largely similar to that under AASB 139, other than for the following:

- For Cash flow hedges which result in the recognition of a non-financial asset, the initial cost or carrying value of the non-financial asset must be adjusted for the accumulated gains or losses recognised directly in the hedge reserve in equity.
- For Fair value hedges of an equity instrument accounted for at fair value through other comprehensive income, any changes in the fair value of the hedging instrument are recorded in other comprehensive income without recycling to net results.

8.13.4 Transition impact

There was no financial impact from the first-time adoption of AASB 9 on the Consolidated Comprehensive Operating Statement and Consolidated Balance Sheet as at 1 July 2018.

8.14 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after 1 July 2019:

- AASB 1059 *Service Concession Arrangements: Grantor*;
- AASB 16 *Leases*;
- AASB 15 *Revenue from Contract with Customers*; and
- AASB 1058 *Income of Not-for-Profit Entities*.

Service concession arrangements

Prior to the issuance of AASB 1059, there was no definitive accounting guidance in Australia for service concession arrangements, which include a number of public private partnership (PPP) arrangements. The AASB issued the new standard to address the lack of specific accounting guidance and based the content thereof broadly on its international equivalent: International Public Sector Accounting Standard 32: Service Concession Arrangements: Grantor.

For arrangements within the scope of AASB 1059, the public sector grantor will be required to record the asset(s) used in the service concession arrangement at current replacement cost in accordance with the cost approach to *Fair Value under* AASB 13: Fair Value Measurement (AASB 13), with a related liability, which could be a financial liability, an accrued revenue liability (referred to as the "Grant Of A Right To The Operator" or GORTO liability) or a combination of both. The AASB recently announced a one-year deferral on the new accounting requirements for public sector grantors in service concession arrangements. As a result, AASB 1059 will apply to annual periods beginning on or after 1 January 2020, rather than 1 January 2019. However, the Group intends to early adopt AASB 1059 in line with the original adoption date of 1 January 2019, i.e. the 2019-20 financial year.

The Group will apply the standard using a full retrospective approach to prior reporting periods from 1 July 2018 ("transition date"). As a result, all comparative information in the financial statements has been prepared as if AASB 1059 had always been in effect with a cumulative adjustment between the recognition of service concession assets and financial liabilities and/or GORTO liabilities recognised in accumulated surplus as at 1 July 2018.

The Group has assessed its contracts and concluded that none of these contracts fall within the requirements of AASB 1059.

Leases

AASB 16 Leases replaces AASB 117 Leases, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a Right-Of-Use (RoU) asset and a lease liability except for leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below $10,000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset, and remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the RoU asset.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019. The Group intends to adopt AASB 16 in the 2019-20 financial year when it becomes effective.

The Group will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

Various practical expedients are available on adoption to account for leases previously classified by a lessee as operating leases under AASB 117. The Group will elect to use the exemptions for all short-term leases (lease term less than 12 months) and low value leases (deemed to be below $10,000).

In addition, AASB 2018-8 – Amendments to Australian Accounting Standards – Right-of-Use Assets (RoU) of Not-for-Profit Entities allows a temporary option for not-for-profit entities to not measure RoU assets at initial recognition at fair value in respect of leases that have significantly below-market terms, since further guidance is expected to be developed to assist not-for-profit entities in measuring RoU assets at fair value. The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such RoU assets at cost rather than fair value) to include additional disclosures. The Group intends to choose the temporary relief to value the RoU asset at the present value of the payments required (at cost).

Revenue and Income

AASB 15 supersedes AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. AASB 15 requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

To address specific concerns from the 'not-for-profit' sector in Australia, the AASB also released the following standards and guidance:

- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian implementation guidance for NFP entities* (AASB 2016-8), to provide guidance on application of revenue recognition principles under AASB 15 in the not-for-profit sector.
- AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors* (2018-4), to provide guidance on how to distinguish payments received in connection with the access to an asset (or other resource) or to enable other parties to perform activities as tax and non-IP licence. It also provides guidance on timing of revenue recognition for non-IP licence payments.
- AASB 1058 *Income of Not-for-Profit Entities*, to supplement AASB 15 and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions previously contained within AASB 1004 Contributions.

AASB 15, AASB 1058 and the related guidance will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. The Group intends to adopt these standards in 2019-20 financial year when it becomes effective.

The Group will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

The Group has performed a detailed impact assessment of AASB 15 and AASB 1058 and have concluded that all revenue is already recognised in line with the requirements of AASB 15. With regard to AASB 1058, the Group has elected to apply the temporary relief provided under AASB 2018-8 in order to measure the RoU assets that arise from its leases with significantly below-market terms and conditions at cost.

Disclosure Index

The annual report of V/Line is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

Ministerial Directions & Financial Reporting Directions

Report of operations

Financial and other information		Page
FRD 22H	Statement on National Competition Policy	53
FRD 22H	Application and operation of the *Protected Disclosure Act 2012*	54
FRD 22H	Application and operation of the *Carers Recognition Act 2012*	N/A
FRD 22H	Details of consultancies over $10,000	48-50
FRD 22H	Details of consultancies under $10,000	48-50
FRD 22H	Disclosure of government advertising expenditure	48
FRD 22H	Disclosure of ICT expenditure	51
FRD 22H	Statement of availability of other information	63
FRD 24D	Reporting of office based environmental impacts	58-62
FRD 25D	Local Jobs First	48
FRD 29C	Workforce data disclosures	43-46
SD 5.2	Specific requirements under Standing Direction 5.2	69

Compliance attestation and declaration		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	64
SD 5.2.3	Declaration in report of operations	2

Ministerial Directions & Financial Reporting Directions

Financial statements

Declaration		Page
SD 5.2.2	Declaration in financial statements	69

Other requirements under Standing Directions 5.2

SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	79
SD 5.2.1(a)	Compliance with Standing Directions	69, 79
SD 5.2.1(b)	Compliance with Model Financial Report	N/A

Other disclosures as required by FRDs in notes to the financial statements [(a)]

FRD 9B	Departmental Disclosure of Administered Assets and Liabilities by Activity	N/A
FRD 11A	Disclosure of Ex gratia Expenses	N/A
FRD 13	Disclosure of Parliamentary Appropriations	N/A
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	129-130
FRD 103H	Non Financial Physical Assets	92
FRD 110A	Cash Flow Statements	74, 106
FRD 112D	Defined Benefit Superannuation Obligations	88
FRD 114	Financial Instruments – general government entities and public non-financial corporations	108-125, 135-137

Ministerial Directions & Financial Reporting Directions

Legislation	Page
Freedom of Information Act 1982	52
Building Act 1993	53
Protected Disclosure Act 2012	54
Carers Recognition Act 2012	N/A
Disability Act 2006	54-55
Local Jobs First Act 2003	48
Financial Management Act 1994	79
Transport Integration Act 2010	56

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VICTORIA State Government

V/Line

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