ANNUAL REPORT | 2016 – 2017


GONINAN
QUALITY

CONTENTS

ACCOUNTABLE OFFICER'S DECLARATION

30 August 2017

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

And

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

Dear Ministers

I have much pleasure in presenting the Annual Report of V/Line Corporation (and its subsidiary V/Line Pty Ltd) (V/Line) for the period 1 July 2016 to 30 June 2017.

Yours faithfully

Jennifer Dawson

Chair

SECTION ONE

YEAR IN REVIEW

PURPOSE, VISION, MISSION, VALUES

At the commencement of the reporting period 2016-17, V/Line's Purpose, Vision, Mission, Values, Strategic Priorities and Objectives were:

Purpose

To provide coach and rail passenger and rail freight services consistent with the *Transport Integration Act's* vision statement and the transport system objectives.

Vision	Mission	Values
We Connect	To deliver customer-focused, safe and efficient regional passenger transport and rail freight access	• **Safety underpins everything we do:** safety is paramount • **Think customer:** the customer is central to everything we do • **Act with integrity:** we operate professionally and ethically • **Raise the bar:** we strive to improve ourselves and our business • **Deliver as one V/Line**: working as one-team

V/Line's strategic priorities and objectives 2016-17 were:

Frequency **Reliability** **Punctuality**	**Connecting Regional Victoria**	Support regional and rural communities through reliable transport services and community engagement
	Health Safety and Environment	'Destination Zero' – Zero rail and coach incidents, zero harm to people and zero damage to the environment
	Asset Lifecycle Management	Build and maintain safe rail assets that deliver reliability, punctuality and growth to meet our Service Agreement obligations
	Customer Service/ Operations	Deliver on our customer charter commitments and provide punctual and reliable services
	Financial Management	Provide financial and ICT resources through V/One and other systems to enable V/Line to achieve its objectives
	Organisational Capability and Systems	Provide exceptional performance through organisational capability, our people, systems and stakeholder relationships

A review of these was undertaken subsequent to the reporting period.
V/Line’s new Purpose, Vision, Mission and Values are:

OUR PURPOSE

To provide a connected and bright future for Victorians

OUR VISION

A modern, high-performing railway and coach service for all

OUR MISSION

Connecting Victoria by empowering our people to be their best

OUR VALUES

> Respectful
> Be our best
> Accountable
> Integrity
> Be bold

CHAIR'S REPORT

It is my pleasure to present the V/Line 2016-17 Annual Report.

These past 12 months have been a time of profound growth and change for V/Line. Not only have customer numbers been at their highest on record, but we're also delivering more improvements than ever to keep up with demand. We've also been working to continually improve our performance across the network. This is one of our biggest challenges but something everyone at V/Line is working to improve over the short and long term.

This year, we successfully introduced 80 new services as part of the January timetable change and planned for an additional 151 services from August.

Other notable achievements included the delivery of 21 new VLocity carriages to the network, the opening of a new station at Caroline Springs, substantial infrastructure upgrades and the continued commitment to safety as part of the rollout of the Safer Country Crossings Program.

While our focus on customer services remains strong, we've also taken a more concentrated approach to the Victorian freight network, as V/Line delivers the Murray Basin Rail Project. Once completed, the project will transform the rail freight network and provide better services and greater choice to industries in the state's north west.

It has been noted V/Line is the fastest growing rail network in Australia and this growth is set to continue.

On 27 June, we welcomed the State and Federal governments' $1.57 billion investment into regional public transport as part of the Regional Rail Revival, which will allow V/Line to deliver more frequent and reliable services.

The year was not without challenges, including an incident at Pirron Yallock near Colac where a truck collided with a V/Line train. It was a reminder that V/Line will never compromise on safety and we've made some significant changes to the way we operate trains as a result.

Following the incident, V/Line completed safety assessments on all level crossings across the regional rail network and a $15 million package of works is underway to upgrade 21 level crossings on the Warrnambool line by installing boom gates, flashing lights, bells and axle counters. These level crossing upgrades will be completed by the end of this year and I would like to thank Warrnambool line customers for their patience while this important work is underway.

A highlight of the year was the appointment of Mr James Pinder as V/Line's Chief Executive Officer. Mr Pinder will lead V/Line into the future during this time of sustained growth and continuous improvement. His main focus will be on improving our on-time performance and delivering essential infrastructure improvements, while guiding the team to modernise the V/Line business.

On behalf of the Board, I thank Mr Gary Liddle for his work as interim Chief Executive Officer while the Board conducted a recruitment process for a new Chief Executive Officer. The Board appreciated Mr Liddle's strong leadership and stability during this period of transition.

Thank you also to Ms Carol-Anne Nelson, our acting Chief Operating Officer for acting in the role of Chief Executive Officer prior to Mr Pinder commencing.

On behalf of the Board, I would like to thank Mr Pinder and the Executive team for their strong leadership.

There were also changes to the Board this year, with the tenure of Mr David Harris concluding on 30 June 2017. Mr Harris was first appointed to the Board of Directors in December 2013 and his three-and-a-half years of dedication and contribution has been greatly appreciated. We welcomed Ms Rachel Thomson onto the Board as a Director on 1 July 2017. Ms Thomson resides in Geelong and has more than 20 years' experience in senior roles in risk management and insurance both in Australia and internationally.

I would also like to express my sincere appreciation to the whole V/Line team for their continued dedication to delivering such an important service to the people of Victoria and representing the many communities we serve.

I look forward to being a part of the evolution of V/Line as we embrace the challenges of Victoria's rapid growth and the increasing demands on our regional rail network.

Jenny Dawson
Chair

CHIEF EXECUTIVE'S REPORT

Since taking up the role of Chief Executive Officer at V/Line in November 2016, the one thing that has stood out to me more than anything else is the quality of the people that work here. We have more than 1,750 staff right across the state and I cannot speak highly enough of their hard work, dedication and commitment to this organisation.

To transform V/Line for the future, it's important we create an environment where our people can be the very best they can be – and all of us at V/Line will be working together to achieve this.

I've been making my way around our vast network, meeting with staff, customers, councils and other stakeholders and it has very quickly become clear to me just how important V/Line is to communities. Everywhere I go, individuals and groups speak about the role we play in their communities. They speak with a great deal of passion about what V/Line is delivering now and what we plan to deliver for the future.

Patronage and performance

V/Line is experiencing record patronage growth, with 19.3 million customer trips taken on our train and coach services in 2016-17. This represents a year-on-year increase of 1.6 million trips.

The most significant growth has been on the Ballarat corridor, with a 14 per cent increase in customer trips.

The Geelong line has experienced a 13 per cent increase in customer trips in the past year and continues to be the busiest on the network.

Each year we see more and more people choosing to travel with V/Line, and as this growth continues, our team will be working to ensure we keep pace by providing a modern, high-performing railway and coach service.

V/Line introduced a performance improvement program in 2017 and this will underpin our approach to running a reliable network. The results of this work are already showing, with 97.8 per cent of services delivered across the network, exceeding our reliability target of 96 per cent.

The 12-month average for on-time performance was 85.6 per cent, falling short of the 92 per cent punctuality target.

Meeting performance targets is one of our most significant challenges. We need to keep up with patronage growth while ensuring we are offering customers a reliable service that arrives on time. This is the key focus of our performance improvement program.

Achievements

We rolled out 21 new VLocity carriages this year, helping to meet demand on the busiest services across the network. The 2017-18 State Budget allocated funding for another 39 VLocity carriages, which is in addition to the existing order of 48 carriages currently rolling off the production line. These new carriages increase capacity on our network and we regularly monitor patronage levels to ensure they're being added where they're needed most.

In addition to the new VLocity carriages, there has been significant investment in regional rail across this state over the past 12 months. Victorian and Federal governments are investing $1.57 billion, which will see major upgrades across the network. This investment will help ensure we keep pace with demand and deliver more trains, more often to the communities of regional Victoria.

We're also very much part of achieving the goals of the Regional Network Development Plan (RNDP), which is the long-term plan to improve public transport in regional Victoria.

We are continually adding new train services to the network. There were 80 services added to the timetable in January and a further 151 new services in August. These additional train services allow more flexibility for our customers, providing better access to Melbourne and to regional towns and cities.

Also in line with the RNDP was the introduction of a new carriage set for the Albury line, which we delivered in April this year, to boost customer comfort and service reliability.

V/Line launched a driver recruitment campaign in August 2016. Following interviews and aptitude testing, 32 new trainee drivers began a 17-month training program to become fully qualified drivers. V/Line also recruited 17 qualified drivers from outside the business and a further five trainee drivers internally.

While there's a lot happening with our passenger services, there's also a strong focus on Victoria's rail freight network. V/Line is delivering the Murray Basin Rail Project, which involves standardising and upgrading 1,055 kilometres of rail track. These works will provide better rail access between the Murray Basin and Victoria's major ports in Portland, Geelong and Melbourne. The project will also improve the overall performance of the rail network and increase the capability of rail freight to carry higher volumes.

Safety

The safety of staff and customers is our number one priority and our *Destination Zero* program underpins our commitment to this. We are working towards zero rail and coach safety incidents, zero harm to people and zero damage to the environment. We have also implemented systematic processes which have contributed to a decrease in the Signals Passed At Danger (SPAD) 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 when judged on this.

Acknowledgements

I would like to thank the Board of V/Line, the Executive Leadership Team and all V/Line staff for making me feel so welcome since I was appointed to this role. It is a rare privilege to be appointed to this critical position, and even more so at a time when the level of investment in this railway scales never-before-seen heights.
As Victoria's population continues growing at an unprecedented rate, so too does our service to the regions that form such a big part of that overall picture. It is a very exciting time to be at V/Line and I am very proud to play my part in the transformation of our railway in the months and years ahead.

James Pinder
Chief Executive Officer

MANNER OF ESTABLISHMENT AND RESPONSIBLE MINISTERS

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

V/Line Corporation is governed by the *Transport Integration Act 2010* and the *State Owned Enterprises Act 1992*. It operates as a not-for-profit corporation. V/Line Pty Ltd is incorporated under the *Corporations Act 2001*.

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

V/Line is responsible to the Victorian Minister for Public Transport and the Victorian Treasurer.

This report provides a summary of our key activities and financial performance for the period 1 July 2016 to 30 June 2017.

Transport for Victoria

V/Line is now part of Transport for Victoria (TfV). The *Transport Integration Amendment (Head, Transport for Victoria and Other Governance Reforms) Act 2017* established the Head, Transport for Victoria as a new statutory office and the lead transport agency in Victoria to integrate and coordinate the State's transport system.

V/Line Corporation and V/Line Pty Ltd

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

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

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

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

The *Transport Integration Amendment (Head, Transport for Victoria and Other Governance Reforms) Act 2017* has been passed by Parliament and provides facilitative provisions to transfer the operations from V/Line Pty Ltd to V/Line Corporation. The proposed transfer involves business operations including all assets, liabilities, contracts and employees transferring from V/Line Pty Ltd to V/Line Corporation. It is anticipated that V/Line will seek the Minister's consent for the transfer of business operations during 2017-18.

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

ABOUT V/LINE – SERVICES PROVIDED

Each week, V/Line schedules more than 1,800 train services between Melbourne and:

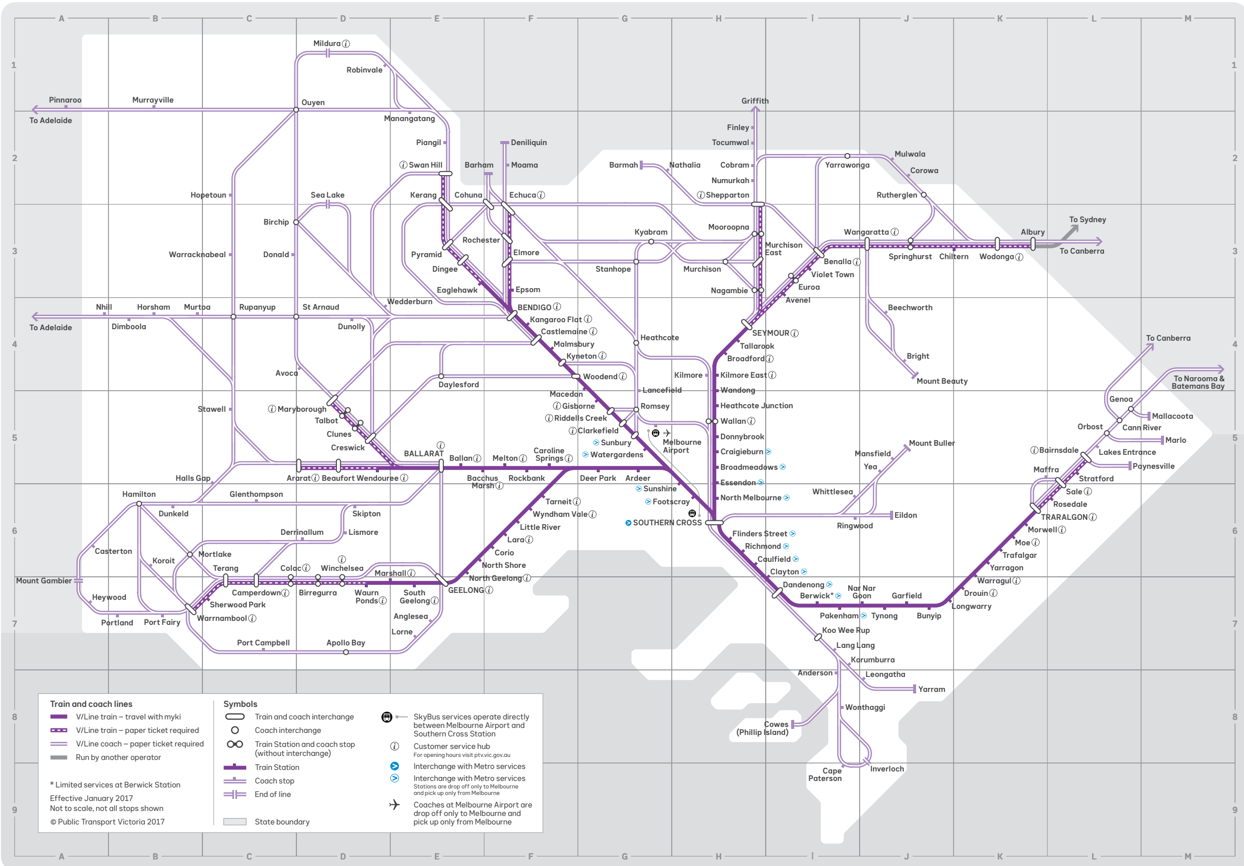
- Geelong and Warrnambool
- Ballarat, Maryborough and Ararat
- Bendigo, Swan Hill and Echuca
- Seymour, Shepparton and Albury
- Traralgon, Sale and Bairnsdale.

More than 1,300 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 provides access to and maintains 3,520 kilometres of rail track used by passenger and freight rail services.

V/Line is a major employer, with a workforce of 1,776, most of whom live and work in regional Victoria.

CUSTOMER NETWORK MAP



PERFORMANCE REPORTING – NON-FINANCIAL

FACTS AND FIGURES

	2016-17	2015-16
Total customer trips (rail and coach)	19,300,326	17,677,960
Rail passenger trips	17,925,413	16,271,628
Coach passenger trips	1,374,913	1,406,332
Tickets sold	2,007,311 (myki only available on commuter lines)	1,984,215 (myki only available on commuter lines)
Farebox revenue	$96.4 million	$106.2 million[i]
Farebox (% breakdown)	67% full fare	62% full fare
	33% concession	38% concession
Subsidy per passenger	$23.33	$22.12
Safety		
SIFR (Serious Injury Frequency Rate) = LTI (Lost Time Injury) and MTI (Medically Treated Injury) per million hours worked.	38.9	30.9[ii]
Signals passed at danger (SPAD) per million km (human factors only)	1.41	1.50
Fleet		
VLocity carriages	198	177
Locomotives	41	41
Locomotive-hauled carriages	133	133
Sprinters (single unit)	21	21
Stations		
Total number of stations	91	90

[i] *Recalibration of farebox Revenue (V/Net Sundry Sales inadvertantly excluded 2015-16).*
[ii] *Note the SIFR reported last financial year was 29.9. The figure has been corrected to 30.9 due to an error in June 2016 reporting.*

	2016-17	2015-16
Customers		
Overall customer satisfaction (PTV target is 68) – trains only	68.15	68.2
Customer satisfaction – coaches	72.75	77.5
Number of customer information enquiries	343,436	398,775
Number of customer feedback cases	15,713	16,965
Compulsory compensation paid to customers for V/Line not meeting on-time targets (complimentary ticket value)	$84,435	$94,141
Employees		
Full-time (head count) staff	1573	1541
Total head count	1776	1654
Service Delivery		
Reliability overall (commuter and long-distance services, average monthly performance)	97.8	96.6
Reliability – commuter	97.8	96.3
Reliability – long-distance	97.8	98.3
Punctuality – commuter (on time to five minutes)	86.5	86.3
Punctuality – long-distance (on time to 10 minutes)	80.0	87.9
Number of services run – commuter	75,550	71,950
Number of services run – long-distance	12,887	12,815
Number of services that left on time from originating station	76,657	73,858
Finance		
Total income	$778.6 million	$675.1 million
Total expenses	$777.6 million	$702.3 million
Income tax benefits/(expenses)	($1.4) million	$3.8 million
Net result	($0.4) million	($23.4) million

PATRONAGE

V/Line train passenger trips - percentage change 2012-13 to 2016-17

GEELONG	BENDIGO	BALLARAT	TRARALGON	SEYMOUR
95.7%	-6.1%	31.9%	-0.6%	7.2%

Rail patronage by line 2012-13 to 2016-17

GEELONG	2012-2013	3.89 million
	2013-2014	4.02 million
	2014-2015	4.24 million
	2015-2016	6.74 million
	2016-2017	**7.62 million**
BENDIGO	2012-2013	2.76 million
	2013-2014	2.35 million
	2014-2015	2.51 million
	2015-2016	2.50 million
	2016-2017	**2.59 million**
BALLARAT	2012-2013	3.28 million
	2013-2014	3.17 million
	2014-2015	3.36 million
	2015-2016	3.79 million
	2016-2017	**4.33 million**
TRARALGON	2012-2013	1.89 million
	2013-2014	2.00 million
	2014-2015	2.04 million
	2015-2016	1.76 million
	2016-2017	**1.88 million**
SEYMOUR	2012-2013	1.40 million
	2013-2014	1.46 million
	2014-2015	1.48 million
	2015-2016	1.49 million
	2016-2017	**1.50 million**

- *Bendigo line patronage fell in late 2012 due to Sunbury electrification. In October 2016, the entire Bendigo line was closed and services replaced by coaches, which also affected patronage.*
- *Traralgon patronage declined in 2016-17 versus 2012-13 largely due to a significant amount of planned track works due to Caulfield to Dandenong Level Crossing Removal and High Capacity Metro Trains projects.*

V/Line train and coach passenger trips over five years

2012-2013[i]
-5.4%
DECREASE

2013-2014[i]
-1.6%
DECREASE

2014-2015
3.9%
INCREASE

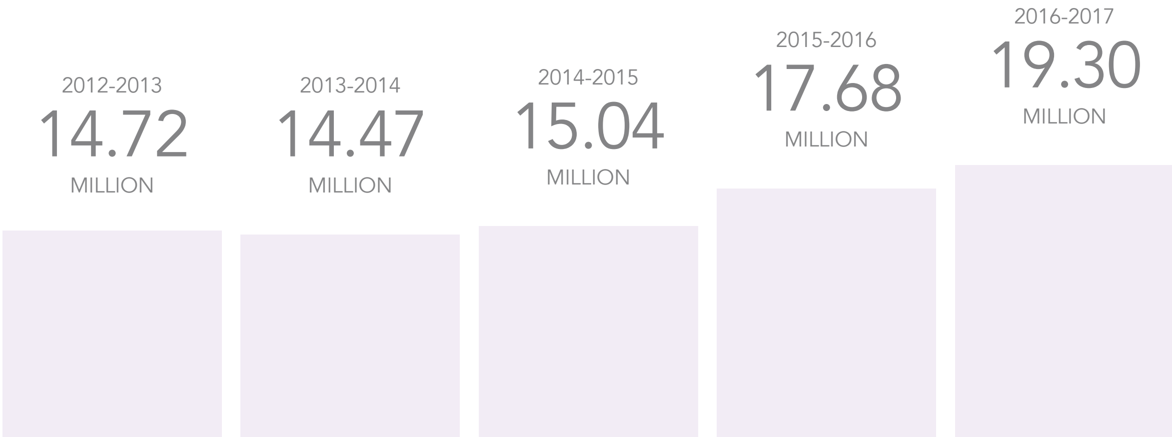
2015-2016[ii]
17.5%
INCREASE

2016-2017
9.2%
INCREASE

[i] There was a drop in V/Line patronage during construction of the Regional Rail Link, with trains being replaced by coaches while some of the major works were underway.

[ii] In 2015-16, the Regional Rail Link opened significantly increasing services and patronage on the Ballarat and Geelong corridors.

TRAIN AND COACH PATRONAGE



PERFORMANCE OBJECTIVES, INDICATORS AND OUTPUTS

Chief Operating Officer

In August 2016, V/Line appointed its first Chief Operating Officer with Carol-Anne Nelson acting in the role. Ms Nelson has responsibility for Asset Management, Customer, Service Delivery and Strategy and Program.

Performance improvement program

In 2017, V/Line introduced a performance improvement program across the Operations group to deliver short and long-term initiatives. The Asset Management, Customer and Service Delivery teams have a strong focus on day-to-day operations, while Strategy and Program develops and delivers medium to long-term initiatives aligned to corporate and government strategies. The five-point performance improvement program is built on detailed analysis of service delays, focusing on the following areas:

1. **Fleet:** Improve maintenance services and the operational handover process.
2. **Integrated operations:** Improve disruption management and operational decision-making.
3. **Shared network:** Work collaboratively with Metro Trains and the Australian Rail Track Corporation to improve performance in non-V/Line controlled parts of the network.
4. **Animal strikes and trespass:** Develop solutions to minimise animal strikes and trespassing on the railway.
5. **Infrastructure:** Deliver infrastructure upgrades to remove temporary speed restrictions and review maintenance locations and practices.

Growing with Victoria

Patronage on V/Line services has increased by more than 130 per cent in the past decade and is predicted to continue growing strongly over the next 30 years. V/Line is planning for the future to ensure it can continue to deliver value for customers and communities.

In early 2017, V/Line initiated an Operations Needs Review, to ensure its operational capabilities would meet current and future requirements. The review led to the establishment of a new team, Strategy and Program, to focus on the future needs of the network. The Strategy and Program group is responsible for driving operational strategy, delivering new initiatives and managing operational readiness.

The Operations group will continue to work closely with Transport for Victoria to ensure alignment with the new Network Integrity Management Policy.

CUSTOMERS

Customer service

V/Line welcomed the opening of Caroline Springs Station and the addition of 80 weekly services.

Frontline staff continued a highly professional approach to customer service, receiving positive feedback from customers throughout the year.

Our frontline staff demonstrated the value of recent training and development. A highlight was the introduction of professional announcement training, leading to improvements in communications across the network.

V/Line also collects feedback from customers on trains eight times a year, asking them specific questions about the stations and services they use. This helps us collect meaningful insights into what's important to our customers, allowing us to undertake targeted improvement projects in the areas that will improve customer satisfaction. This includes infrastructure upgrades at stations and professional training for staff.

V/Line was re-certified under the Customer Service Institute of Australia's *International Customer Service Standard* with a score of 6.41, an increase on the previous score of 6.33.

Patronage growth

In 2016-17, there were 19.3 million train and coach trips taken by V/Line customers, a 9.2 per cent increase on the 17.68 million customer trips taken during 2015-16.

A large proportion of the increase can be attributed to sustained growth along the Regional Rail Link, with the Ballarat line up by 14 per cent and Geelong up by 13 per cent.

The addition of more services, along with the opening of Caroline Springs Station, have contributed to the uplift.

Patronage also increased on the other three corridors, with the Traralgon line up by five per cent, the Bendigo line up by three per cent and Seymour up by one per cent.

Customer satisfaction

V/Line's overall customer satisfaction rating on average, for 2016-17 was 67.1, compared with 67.5 for 2015-16, a decrease of 0.4 per cent. Decreases in punctuality across several rail lines contributed to this reduction. V/Line has developed a Customer Service Strategy 2016-19, which is aligned to support our 200 frontline staff, who are dedicated and committed to delivering what's important to our customers.

Customer Charter

The Customer Charter is the cornerstone of V/Line's customer service strategy. It is based on research into the drivers of customer satisfaction and is measured monthly.

- **Safety and security** – Customer perception of security on V/Line services was ahead of our target of 78 for two of the four quarters of the year. The average result of 78.4 for this measure this year is slightly below last year's 79.8.
- **Reliability** – The percentage of services delivered has tracked ahead of the target of 96 per cent for the entire year, averaging 97.8 per cent. On-time running fell short of the target of 92 per cent, with the highest result of 90.9 per cent achieved in September 2016.
- **Comfort** – Customer comfort is based on satisfaction with design and comfort, and with cleanliness of trains and stations. Satisfaction with design and comfort averaged 75.4 for this year, a decrease on the result of 76.3 for the same period last year. Satisfaction with cleanliness averaged 79.9 this year, ahead of the target of 78.5 and an increase on last year's average of 79.
- **Helpfulness** – This has been tracking ahead of the target of 85.3 for the year. The average of 86.7 is below the average of 87 achieved in the same period last year. The score of 88 for the March 2017 quarter is the highest result since the introduction of the Customer Satisfaction Monitor.
- **Information** – V/Line pledges to provide customers with timely information about planned disruptions and this year the average notice to customers was 15 days, against a target of 14 days. This target was met across 10 of the 12 months.

Feedback and consultation

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

In 2016-17, there was a 7.4 per cent reduction in feedback cases to 15,713 – down from 16,965 the previous year. Overall, 80 per cent of feedback cases were closed within 10 days, an improvement on 2015-16.

The PTV call centre took 343,436 calls relating to V/Line for the year. These calls ranged from timetable enquiries to lost property, train and coach reservations and ticketing enquiries to complaints, compliments and general comments from customers and the community.

Bi-monthly *Meet the Managers* sessions were held at Southern Cross Station and at regional locations, with a summary of key issues published on the V/Line website.

Customers are eligible for compensation in the form of a complimentary ticket when train performance targets are not met and they may also be compensated when there is a delay of 60 minutes or more.

This year, the combined value of customer compensation was $103,068.26 compared with last year's total of $116,178.73.

Customer experience

We focused on the delivery of the Customer Service Strategy to improve our customers' travel experience. V/Line successfully communicated the changes for the January 2017 timetable, while the *Whistle blows train goes* campaign promoted the importance of on-time departures for staff and customers. Other initiatives included:

- Southern Cross Station signage and ticket-office improvements
- development of station design guidelines
- journey mapping of customer experience during unplanned disruptions and improvements to planned disruptions
- digital improvements to the website including online booking for customers with accessibility passes and Southern Cross Station platform departure and arrival information
- training frontline staff in making clear, concise and customer-friendly announcements.

Customer communication

V/Line customers consistently tell us that information about disruptions is critical to their experience of our service. Channels used to communicate with customers include:

- posters and flyers
- V/Line and PTV websites
- digital screens at 43 staffed stations
- advertising in local newspapers and on local radio
- announcements on trains and at stations
- letterbox drops
- SMS and emails to customers subscribed to our *Inform* service
- social media
- Passenger Information Displays (PIDs).

Longer planned disruptions on the Bendigo and Geelong lines provided an opportunity to further develop the way V/Line engages and communicates to customers, using temporary timetables and engagement mornings to disseminate messages.

During unplanned disruptions, customers are kept informed via the V/Line website and app, Twitter, SMS and emails, as well as announcements on board trains and at stations.

Real-time platform information for trains arriving and departing Southern Cross Station is also available for customers and staff through the V/Line app and website.

All disruption communication is aligned to the broader Network Impact Management Plan managed by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR).

Regional Rail Connectivity Project

V/Line is working closely with VicTrack to deliver the Regional Rail Connectivity Project to improve mobile coverage and data connectivity for regional customers. This project involves the rollout of mobile phone repeater technology on the VLocity fleet, which will boost signals from mobile towers into train carriages. Three mobile carriers, Telstra, Optus and Vodafone will contribute to the project through the construction of 35 mobile towers.

V/Line is managing the equipment location, train crew interface and scheduling of the VLocity fleet for modifications. VicTrack is managing the supply of labour and equipment for the modifications. V/Line is also providing advice on tower location using local knowledge of V/Line area supervisors. It will also provide network access for the construction of the mobile towers, which is being led by VicTrack.

Digital channels

V/Line uses a range of digital and social media platforms to provide information and to engage in two-way dialogue with customers. In 2016-17, 7,026 messages were sent to staff and 5,393 to customers. This was in line with the number of messages sent the previous year.

There was an increase in the number of queries received via social media, with 15,970 messages received across six line-specific Twitter accounts as well as Facebook and Instagram. This amounts to approximately 43 messages per day.

Social media continues to grow as a channel for customer feedback and there was an improvement in the speed and frequency of V/Line's responses. The average response time for all messages, including those received outside the feedback team's regular operating hours, was reduced from 80 to 56 minutes and 83 per cent of responses came within 30 minutes.

V/Line now has 30,503 followers on Twitter, up 25.8 per cent on the previous year, and 31,056 followers on Facebook, a 13.2 per cent increase since July 2016. Our Instagram account has 1,169 followers.

The commissioning of V/Line's Integrated Operations Centre has provided further opportunities to improve the quality and timeliness of messages to customers.

V/Line's mobile app was downloaded to 58,191 devices during the year, a significant increase from 26,194 in 2015-16. The V/Line website experienced 4.97 million visits, slightly lower than the 5.03 million the previous year. The growth in app downloads reflects the growing shift away from traditional websites in favour of mobile, app-based technologies.

Community outreach

V/Line is committed to supporting communities across regional Victoria. Our train and coach services reach all corners of the state so being involved in the community is important and something we are proud of.

Our partnership with the Beacon Foundation saw 10 work-readiness sessions conducted across regional Victoria. Our employees were actively involved in these sessions, helping to provide young people with essential work-seeking and life skills.

V/Line continues its partnership with Travellers Aid Australia by supporting the volunteers program. The volunteers are on hand to help V/Line customers, who rely on Travellers Aid services at Southern Cross and Flinders Street stations. V/Line also contributed to the Emergency Relief and Pathways to Education programs, as well as providing a buggy service at Seymour Station.

Our long-term partnership with the Doxa Youth Foundation allowed more than 1,800 students and staff from 48 disadvantaged schools travel to camps in Malmsbury and Melbourne. V/Line also supports the Doxa Cadetship program by sponsoring three cadets to complete work experience across different parts of our business.

We extended our long-term sponsorship of AFL Victoria and the V/Line Cup to include the Youth Girls' competition for the first time. The V/Line Cup was held in the Latrobe Valley and generated an estimated $2.6 million in economic benefit for the region. The V/Line Cup and V/Line Umpire Academy both had AFL success, with 15 of the 2016 AFL draft picks having played in the V/Line Cup in their younger years. Two graduates from the Umpire Academy also debuted in the AFL during the year.

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

V/Line was a sponsor of the Castlemaine State Festival in March this year. We supported the Circocentric program, which was a series of physical theatre, cabaret and circus performances held at the Castlemaine Goods Shed.

Partnerships

In 2016-17 V/Line partnered with more than 30 new events and attractions accessible via the V/Line train and coach network. This is included a partnership with the Australian International Airshow at Avalon, which saw combined train and shuttle bus ticket sales increase by 39 per cent this year compared with 2015.

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

Accessibility Action Plan

At V/Line, we are committed to ensuring all Victorians can travel on our services. We continue to make progress on the implementation of the 2015-18 Accessibility Action Plan. Achievements during the year include:

- The Customer Accessibility Reference Group rolled out a series of improvements including grab rails for accessible spaces on VLocity trains, online bookings extended to include access pass holders, Boarding Assistance Zone locations at Southern Cross Station and access improvements at Caroline Springs Station.
- The quarterly *Accessibility Update* newsletter for V/Line customers and stakeholders.
- *Try Before You Ride* events in Geelong, Box Hill, Seymour and Maryborough.
- The fourth annual *Community Accessibility Forum* with customers, advocates and industry partners, where participants looked at improvements to customer digital experience.
- Regular consultation and meetings with accessibility advocacy groups and participation in state and national accessibility committees.

Industry awards

V/Line was awarded Customer Service Team of the Year at the 2016 Customer Service Institute of Australia Service Excellence Awards for the staff members who worked at Pakenham Station during the period of wheel wear disruption.

V/Line's journey towards becoming communication accessible was also acknowledged as a finalist in the 2016 National Disability Awards and with the Victorian Corporate Social Responsibility Award from the Australian Marketing Institute.

SERVICE DELIVERY

V/Line operated a total of 88,437 train services and 68,241 coach services in 2016-17. The total included 12,887 long-distance train services and 75,550 commuter line train services.

This represented a combined increase of 4.3 per cent on the previous year and was largely due to the opening of new stations at Tarneit and Wyndham Vale in June 2015 and Caroline Springs in January 2016 together with an increase in service frequency.

Performance

Reliability of commuter services was 97.8 per cent, exceeding the 96 per cent target set by PTV and up from 96.3 per cent the previous year. Reliability of long-distance trains was 97.8 per cent, slightly down from 98.3 per cent the previous year.

Punctuality of commuter services was 86.5 per cent, up from 86.3 per cent the previous year. On-time performance of long-distance trains was 80.0 per cent, compared with 87.9 per cent in 2015-16.

Under V/Line's Services Agreement with PTV, the Total Performance Measure (TPM) was not met. The TPM threshold for 2016-17 was 88 per cent with a target of 90 per cent. V/Line achieved 77.0 per cent, which was .03 per cent below the previous year and 11.0 per cent below the threshold. The main factors were the impact of the RRL timetable implementation and subsequently the dual issues of Level Crossing Speed Restrictions and the MTM network restriction. V/Line submitted a management plan to PTV based on the performance improvement program. We are continually working to better understand and probe delay causes and contributors within V/Line's control. At the same time, we are developing new and innovative ways to work with Metro Trains to minimise delays on the shared network.

In 2016, a visual management approach to performance management was implemented to track and improve daily performance of the passenger rail network. This approach has been a key driver in improving both punctuality and reliability as well as the volatility of performance statistics across the network.

In 2017, the *Towards 92* performance plan was developed to drive both short and long-term initiatives around key operational targets including safety, frequency, reliability, punctuality and customer satisfaction. This performance plan will drive a continuous improvement ethos through the business as well as inform long term initiatives to address performance on a growing network.

Service planning

On 29 January 2017, a new timetable was successfully delivered which allowed for the opening of Caroline Springs Station and 80 additional weekly services. Planning for a further 151 services to be implemented in August 2017 was also completed.

The seamless delivery of an improved service plan for the Australian International Airshow at Avalon has set the benchmark for future events. It was the first Airshow since the introduction of 20-minute off-peak service frequency on the south-western line.

The strategic planning team has aligned its design considerations, analysis and focus to the Regional Network Development Plan, which plans to deliver 20-minute frequency during the peak and 40-minute frequency in the off-peak on communter lines, and five services each day on long-distance lines.

The team has actively provided subject matter expertise to several major projects including the Ballarat Line Upgrade and the Metro Tunnel Project. The modelling and review work undertaken has helped ensure that the interests of V/Line customers and operations are reflected within project requirements and design.

Network operations

The Integrated Operations Centre continued to streamline operations and improve customer communications, with the co-locating of key operational personnel.

A newly revised train control training package has been developed by a network services accredited trainer which will now allow us to train future train controllers with no previous rail industry experience. This new training package will allow us to cast a broader net when recruiting suitable potential candidates as we are no longer restricted to relying on candidates to have a pre-existing knowledge or understanding of the rail industry and our specific requirements. As this training package was developed in-house, it has been purpose designed enabling any accredited trainer to execute it.

Further improvements will be made during stage two of the Integrated Operations Centre set for 2017-18. This will include improved floor layout and revised operational processes and responsibilities to deliver improved coordination and performance.

Train drivers

Further development of the new train services structure has seen the recruitment of additional supervisors in the regions to assist with the growing demands on the network. A review of the proposed Training and Compliance team will focus on driver recruitment.
In August 2016, our first external recruitment campaign for trainee drivers attracted 5,000 applicants. V/Line has recruited 32 external trainees who will assist in our cultural journey and reduce the average age of our workforce - two key strategic aims.

Significant improvements in the regional depots include better attendance, work practices and depot feedback.

The Signal Passed At Danger (SPAD) Reduction Strategy introduced in 2015 has lowered the rates for both human factor and technical reasons to some of the lowest in the industry, with the Human Factor SPAD rate down to 1.4 events per one million kilometres travelled.

A revised process has been implemented for responding to operational incidents focusing on non-technical skills and human factors and has reduced both time off-roster and the number of repeat incidents by individuals.
In April 2017, V/Line commissioned changes to the signalling system at Southern Cross Station to reduce the likelihood of SPAD events. This was a key change identified in the SPAD Reduction Strategy.

A V/Line Professional Driving Guide and Training Program was developed in 2016-17 and will be rolled out to drivers in late 2017.

We have also delivered training for several infrastructure upgrades during the past year, including the Rowsley Crossing Loop, Caroline Springs Station and testing for level crossing improvements.

The implementation of Enterprise Agreement initiatives, including relieving allowance and reduction in standard gauge requirements, have improved driver availability.

Security and resilience

V/Line successfully met the compliance obligations for Victorian Critical Infrastructure under *Part 7A* of the *Emergency Management Act 2013* and the statement of assurance was submitted to the Minister for Public Transport's delegate.

The annual Crisis and Emergency Management compliance exercise in October 2016 received an excellent report from Victoria Police and DEDJTR. Following the exercise debrief, an Improvement Action Plan was put in place and will be implemented throughout 2017-18.

An additional cross-modal transport sector counter-terrorism exercise was successfully planned and run by the V/Line Security and Resilience Department. Exercise Hydra included participants from all public transport operators, DEDJTR, PTV, Emergency Management Victoria and Victoria Police.

The Security and Resilience team initiated a large-scale revision of the Business Continuity Management Plan by undertaking a program of business impact analysis assessments. This identified critical business activities that now align with the V/Line risk appetite and the drafting of a revised business continuity plan.

The Security and Resilience team rolled out an improved emergency services training program to be delivered regionally.

In addition, the team partnered with Victoria Police State Emergency Response Coordination Division to deliver awareness training to Victoria Police Regional Emergency Management Committees.

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

A number of new processes have been developed and rolled out by the Network Support Centre including real time reporting by conductors, Authorised Officers and staff which are pushed out to Victoria Police via the reporting system to the mobile devices. This has allowed for greater situational awareness and rapid escalation during emergencies and incidents.

The V/Line Security and Resilience Department has been nominated for a number of industry awards including a WorkSafe award for developing the Lone Worker Application and supporting processes, Australian Security Industry Association Limited (ASIAL) Awards and the Victorian Fire Awareness Awards for their work in training V/Line Staff and Emergency Services in regional Victoria.

Fleet

A total of 21 additional VLocity carriages came into service in 2016-17 with an extra 27 VLocity carriages expected to be in service in the next financial year.

Each VLocity carriage travelled an average of 157,805 kilometres between faults in 2016-17 compared with 155,082 kilometres during 2015-16.

The average availability of VLocity carriages during scheduled service periods, which includes maintenance and operational issues, was 91.7 per cent against a target of 86.5, the percentage of the fleet that is required to meet timetable requirements. This availability was up from 87.2 per cent in 2016-17 due to the resolution of the wheel wear issue.

Since the introduction of gauge face lubrication on tight curves, the wheel wear on the VLocity carriages has returned to normal. The installation of wayside lubrication systems as well as top of rail friction modifiers has extended the life of the rail and prevents rail head corrugation and rutting. V/Line's approach is considered international best practice.

This year, Sprinters travelled an average of 42,533 kilometres between faults, against a target of 30,259 kilometres. This compares with 40,066 kilometres between faults in 2016-17, a six per cent reliability improvement. The average availability of Sprinters was 85 per cent against the target of 84.6 per cent. This decrease from 90.3 per cent availability in 2016-17 was due to In Cab Equipment (ICE) radio installation and fire damage to a Sprinter, effectively reducing the fleet size by one for most of the year.

Classic fleet carriages travelled an average of 162,895 kilometres between faults against a target of 130,000 kilometres.

Average carriage availability of 74.3 per cent is measured against a target of 73.2 per cent and was down from 81.4 per cent the previous year. This was due to carriages being unavailable after the Pirron Yallock level crossing collision and structural assessment to enable life-extension until 2025.

Locomotives travelled an average of 22,957 kilometres between faults, against a target of 29,962 kilometres, compared with 27,049 kilometres in 2016-17. This represents a 15 per cent decrease. Average availability was 70.2 per cent, against a target of 69 per cent, compared with 82.1 per cent in the previous year due to the repair of the locomotive involved in the Pirron Yallock level crossing incident.

Initial funding this year enabled initiatives to increase locomotive reliability to the target level with work in progress on Head End Power air-conditioners and data loggers.

In June 2017, V/Line began the implementation of Reliability Growth Plans for all fleet types. These plans are designed to manage and improve the reliability of our train fleets. They will be used to actively manage fleet performance with our maintenance service provider and in partnership with our stakeholders.

Infrastructure

In 2016-17, V/Line upgraded 22 level crossings and four pedestrian crossings from passive to active protection to include boom gates, flashing lights and bells. These were delivered as part of the Safer Country Crossing Program and demonstrates V/Line's ongoing commitment to improving safety of the regional network. This program will continue in 2017-18 with a further 38 crossings to be upgraded.

In October 2016, V/Line completed its largest maintenance and renewals occupation. The Bendigo, Swan Hill and Echuca lines were closed for significant works over a continuous 28-day period. This was aligned with a planned Level Crossing Removal Project on the metropolitan Sunbury line. During this time, V/Line spent more than $46 million on works that included the welding of the last remaining jointed track on the passenger network between Kerang and North Bendigo, removal of mud spot locations, installation of concrete sleepers, level crossing and station pit renewals and bridge deck replacement at Taradale and Malmsbury.

The introduction of a dedicated Network Closure Access Plan has provided a greater level of alignment between V/Line and other operators and agencies, as well as reducing the need for train replacement coaches on each corridor. By completing V/Line upgrades and improvements at the same time as level crossing and other metropolitan works, it also minimises the disruption to customers.

Vegetation and fire management works focused on the removal of a high number of hazardous trees on corridors such as Bendigo, Echuca, Maryborough, Geelong and Warrnambool.

Track and Civil

Broad and standard gauge vehicles have been fitted with instrumentation to improve V/Line's understanding of the relationship between existing measurements of track geometry and customer ride comfort. The Institute of Rail Technology has developed a customer comfort index from the recorded data that is specific to the Albury line. V/Line and Australian Rail Track Corporation are assessing the accuracy of this index with on board trials.

In January 2017, V/Line Network Engineering initiated an internal track-welding audit to verify compliance with V/Line standards and procedures. This audit identified several areas for improvement, and a suite of actions have been put in place.

Eight electronic wayside lubricators have been installed in the Melbourne CBD region to alleviate the wheel wear issues that affected V/Line services in early 2016. A study is now underway to replace unreliable mechanical lubricators across the network with these electronic versions. This will help reduce maintenance costs by lessening rail wear.

Signalling and Communications

We have undertaken initial testing and evaluation of several train detection improvements, including:

- a track circuit assister
- a rail shunt augmenter system
- an electro-mechanical treadle.

V/Line has further deployed its points condition monitoring system to collect data for improved asset reliability, early warning of possible points failures and planning of proactive maintenance.

This system also provides additional information on rail temperature for hot weather management procedures and essential trend data for asset performance analysis.

Structures

A total of 20 complex bridge, viaduct and tunnel structures have been assessed and several special inspections have been conducted at Melton Weir viaduct, North Melbourne flyover, Avon and Goulburn River bridges together with Geelong, Elphinstone and Big Hill tunnel structures. The Geelong tunnel inspection included an assessment and repair of the tunnel invert for 120 metres, the installation of drainage at the portals and structural clearance assessment. Standards improvements included a more effective way to assess pipes using ultrasonic assessment of thickness. We have moved from one to three-year programing for structural asset renewal in the Annual Works Plan.

Telecommunications

The rollout of the Regional Rail Communications Network (RRCN) ICE radio is almost complete with fewer than 10 Sprinter trains and Y Class shunting locomotives yet to be converted to RRCN train radios. The Sprinters have a delayed rollout to allow for their use on the metropolitan Stony Point line. As a result, the phased shutdown of the Non-Urban Train Radio commenced from May 2017.

STRATEGY AND PROGRAM

The Strategy and Program team is focused on planning for the future – developing and delivering the projects that will shape regional rail and V/Line in the years to come. The team was formed in response to the projected growth of the regional network and the outcomes of the Operations Needs Review. It reflects the need for operations to have a strong future focus, which frees up the Asset Management, Customer and Service Delivery teams to concentrate on day-to-day operations.

Strategy and Program encompasses four key functional areas:

- Strategy - focus on strategy development, securing funding arrangements, development of the official V/Line position and tracking of interdependencies.
- Growth - responsible for development and delivery of non-built projects, such as timetable updates and performance initiatives.
- Delivery - develops and delivers all built projects, including the Annual Works Plan.
- Readiness - supports the transition of new business-as-usual into day-to-day operations by working cross-functionally to ensure that V/Line is poised to realise project and upgrade benefits.

As part of the broader operations team, Strategy and Program will work with other Transport for Victoria agencies to ensure that V/Line's present and future needs are met.

Murray Basin Rail Project

V/Line is delivering the $440 million Murray Basin Rail Project to improve Victoria's rail freight network, providing the Murray Basin area with better rail freight services and more choices for less cost.

The project involves standardising and upgrading the 1,055 kilometres of rail track which services the Murray Basin region in Victoria's north-west.

The team will also work on reopening the 87 kilometre freight line between Maryborough and Ararat.

The works will provide better rail access between the Murray Basin and Victoria's major ports in Portland, Geelong and Melbourne. It will also improve the performance of the rail network and increase the amount of rail freight able to be moved.

V/Line appointed the McConnell Dowell Martinus Rail joint venture team in June 2017 to deliver stages two, three and four of the Murray Basin Rail Project.

Stage two upgrades have commenced following the reporting period.

Ballarat Line Upgrade

The Melbourne Metro Rail Authority is delivering the $518 million Ballarat Line Upgrade, with early works underway and construction expected to start in 2018.

The upgrade includes the duplication of 18 kilometres of track between Deer Park West and Melton, upgrading Rockbank Station, additional platforms at Bacchus Marsh and Ballan stations and additional crossing loops along the line.

The upgrade will enable extra services for the growing communities along the line.

V/Line is part of the alliance delivering this project, which is expected to be completed in late-2019.

VICTORIAN RAIL NETWORK MAP

MELBOURNE METRO AREA

LEGEND

- Passenger and freight services (V/Line broad gauge)
- Passenger and freight services (ARTC standard gauge)
- Freight only (V/Line broad gauge)
- Freight only (V/Line standard gauge)
- ARTC (standard gauge) including dual gauge North Geelong – Gheringhap and Geelong grain loop
- Metro Trains Melbourne (broad gauge)
- Victorian Rail Track Corporation (VicTrack)

PERFORMANCE REPORTING - FINANCIAL

V/Line reported a $0.4 million loss after income tax for the year ended 30 June 2017. The key factors that contributed to the result were:

- repair costs associated with rail collisions totalling $5.5 million
- maintenance costs of the VLocity, locomotive and Sprinter trains increasing due to the introduction of new carriages and the ongoing maintenance of the classic fleet, these costs were mostly offset by an increase in subsidy
- a reduction in farebox revenue as a result of a change in government policy from the introduction of the myki system, which led to a change in the mix of revenues from farebox revenue to government subsidies. In addition, whilst we have had record patronage levels and a nine per cent growth from last year, this has not equated to a growth in farebox revenue due to a large proportion of this growth coming from the low yielding zones
- V/Line entered into diesel fuel hedges during the financial year, which proved successful in mitigating the impact of increasing fuel prices.

Total revenue increased by $103.5 million to $778.6 million, compared with 2015-16. A significant contributor to this increase was the additional funding to enable V/Line to meet the costs arising from more weekday services introduced in January and funding for an increase in Major Periodical Maintenance.

A number of operational issues resulting in interrupted or cancelled services have affected the financial performance of V/Line over the past year. The key issues were level crossing repairs and the Bendigo line works in October 2016, which meant V/Line was unable to run normal services.

The net cash flow from operating activities was $3.4 million, compared with $11.3 million in 2015-16, with a net decrease in cash of $12.6 million, compared with $6.4 million in 2015-16.

V/Line Corporation five year financial summary

Five year financial summary	2017 ($'000)	2016 ($'000)	2015 ($'000)	2014 ($'000)	2013 ($'000)
Income from government	624,880	521,584	467,568	436,099	388,993
Total income from transactions	778,628	675,142	618,774	577,479	525,185
Total expenses from transactions	780,757	700,727	621,061	587,138	538,837
Net result from transactions	(2,129)	(25,585)	(2,287)	(9,659)	(13,652)
Net cash flow from operating activities	3,397	11,270	27,266	374	12,456
Total assets	219,912	230,394	225,354	206,875	206,117
Total liabilities	157,478	164,448	137,435	126,245	118,454

SECTION TWO

GOVERNANCE AND ORGANISATIONAL STRUCTURE

ORGANISATIONAL STRUCTURE AND CORPORATE GOVERNANCE ARRANGEMENTS

Leadership team as at 30 June 2017

V/Line Board

Chief Executive Officer
James Pinder

CFO Business Services
Albert Giorgini
- Management Reporting
- Finance
- Accounting
- Procurement
- ICT Services
- Contract Management

EGM Enterprise Governance and Risk
Brendan Geary
- Legal Services
- Enterprise Risk
- Compliance Management
- Commercial and Corporate Planning
- Insurance
- Governance

Company Secretary
Rochelle Reynolds
- Board Governance
- Secretariat to the Board
- Director/Board liaison

EGM Human Resources (Acting)
Elaine Seckold
- Industrial Relations
- Learning and Development
- HR Services
- Recruitment and Selection
- Leadership and Culture

EGM Health, Safety and Environment
Dean Matthews
- Compliance and Safeworking
- Safety, Risk and Assurance
- Health and Wellbeing
- Environment and Sustainability

EGM Corporate Affairs
Daniel Hoare
- Corporate Affairs
- Stakeholder relations
- Communications and Media

Chief Operating Officer (Acting)
Carol-Anne Nelson

EGM Strategy and Program
Colin Taylor
- Strategy and Growth
- Project Development, Management and Delivery
- PMO
- Operational Readiness
- State Projects Interface
- Major Works

EGM Asset Management
Alex Panayi
- Network Maintenance
- Network Engineering
- Fleet Maintenance
- Fleet Engineering
- Asset Management and Performance (inc Freight)

EGM Service Delivery
Paul D'Alessio
- Train Services
- Network Services
- Strategic Service Planning
- Security and Emergency Management

EGM Customer (Acting)
Melinda Button
- Customer Experience
- Station Staff
- Conductors
- Catering
- Authorised Officers
- Coach Operations

Board composition

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

The directors as at 30 June 2017 were Jennifer Dawson (Chair), Craig Cook (Deputy Chair), David Harris, Gabrielle Bell, Kay Macaulay and John Donovan.

Board role

The Board has overall responsibility for the corporate governance of VLC and V/Line, 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 V/Line Board are set out in the *V/Line Board Charter*. In accordance with this charter, the Board of V/Line conducts a regular review of its performance and identifies areas for improvement. During the financial year, this review was undertaken by an independent external consultant.

Board of Directors (During the Period 1 July 2016 to 30 June 2017)

Jennifer Dawson – Chair

Appointed 1 July 2015.

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

Jenny is an experienced non-executive director, who recently retired after 15 years as a director of the ASX listed Bendigo and Adelaide Bank Ltd. She currently also Chairs Sandhurst Trustees Ltd and Adelaide Managed Funds (subsidiaries of Bendigo and Adelaide Bank Ltd) and the Bendigo Art Gallery Foundation.

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

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

Craig Cook – Deputy Chair

Appointed 1 July 2015.

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

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

David Harris – Director

Appointed 3 December 2013 to 30 June 2017.

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

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

Gabrielle Bell – Director

Appointed 1 July 2015.

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

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

Kay Macaulay – Director

Appointed 1 July 2015.

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

Kay has extensive experience in community and stakeholder engagement and has developed strong networks with many organisations. Kay is a former member of the Central Highlands Area Consultative Committee and the University of Ballarat (Federation University) Council. She was also a member of the inaugural Grampians Regional Development Australia committee. She has been a member of Rotary International through the Rotary Club of Wendouree Breakfast for 16 years.

John Donovan – Director

Appointed 1 July 2015.

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

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

Note: Rachel Thomson was appointed as Director of V/Line Corporation from 1 July 2017 until 30 October 2019 (both dates inclusive).

COMMITTEE MEMBERSHIP AND ROLES

During the period 1 July 2016 to 30 June 2017, the Board committees of V/Line comprised the Audit, Finance and Risk Committee; the Human Resources and Remuneration Committee; the Safety, Security, Health and Environment Committee; and the Customer and Brand 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 commercial risk management systems. The committee oversees internal and external audit activities.

Members as at 30 June 2017 were David Harris (Chair), Jennifer Dawson and John Donovan.

Number of meetings held during the year: Six

HR and Remuneration Committee

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

Members as at 30 June 2017 were Craig Cook (Chair), Kay Macaulay and Gabrielle Bell.

Number of meetings held during the year: Four

Safety, Security, Health and Environment Committee

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

Members as at 30 June 2017 were Gabrielle Bell (Chair), Jennifer Dawson and Kay Macaulay.

Number of meetings held during the year: Four

Customer and Brand Committee

Assists the Board in carrying out its oversight responsibilities in relation to customer and brand strategy.

Members as at 30 June 2017 were: John Donovan (Chair), Craig Cook and David Harris.

Number of meetings held during the year: Two

Board and committee meeting attendance

V/Line Corporation

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

V/Line Pty Ltd

	Board Meetings		Special Purpose Meetings	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Jenny Dawson, Chair	9	8	4	4
Craig Cook	9	9	4	4
David Harris	9	8	4	4
Gabrielle Bell	9	9	4	4
Kay Macaulay	9	9	4	4
John Donovan	9	9	4	4

Committees

Director	HR and Remuneration Committee		Audit, Finance and Risk Committee		Safety, Security, Health and Environment Committee		Customer and Brand Committee	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Jenny Dawson	N/A	N/A	6	6	4	4	N/A	N/A
Craig Cook	4	4	N/A	N/A	N/A	N/A	2	2
David Harris	N/A	N/A	6	6	N/A	N/A	2	1
Gabrielle Bell	4	4	N/A	N/A	4	4	N/A	N/A
Kay Macaulay	4	4	N/A	N/A	4	4	N/A	N/A
John Donovan	N/A	N/A	6	5	N/A	N/A	2	2

RISK MANAGEMENT AND INSURANCE

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

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

In March 2016, the Victorian Managed Insurance Authority (VMIA) issued revised criteria for determining compliance for the purposes of attestations under *Ministerial Direction 3.7.1*, including the introduction of Interagency Risk process requirements. Arrangements for addressing interagency and state significant risks, and collaboration with stakeholders are being incorporated into V/Line's risk management framework.

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

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

Use of good risk management practice also ensures we meet our obligations under the Rail Safety National Law, *Victorian Managed Insurance Authority Act 1996*, *Public Administration Act 2004* and the Financial Management Compliance Framework.

It is through the application of the risk management and insurance above that V/Line is able to attest to its compliance with *Ministerial Direction 3.7.1 – Risk Management Framework and Processes.*

Access to information

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

Corporate plan

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

Ministerial directions

V/Line received no ministerial directions for the period ending 30 June 2017.

OCCUPATIONAL HEALTH AND SAFETY

Safety

The program known as *Destination Zero* continues to be the Health, Safety and Environment (HSE) change program for V/Line. This program underpins the journey towards V/Line's aspiration of:

- zero rail and coach incidents
- zero harm to people
- zero damage to the environment.

The focus for the year was to better understand critical risks and the steps necessary to eliminate or reduce them, so far as is reasonably practicable.

As part of *Destination Zero*, V/Line has identified eight 'lifesaver principles' that focus on the occupational health and safety risks with the greatest potential to cause serious injury, or death, in the workplace. Collaboration with the workforce helped to ensure that all significant occupational health and safety risks have been identified.

The lifesaver principles are:

- driving safely
- fitness for work
- people interaction with mobile plants
- safety processes and devices
- working with suspended loads
- license to operate
- working at height
- accessing the rail corridor.

Initiatives to strengthen controls in each focus area have included:

- Accessing the rail corridor - in conjunction with frontline staff, the Asset Management team has implemented measures to enhance infrastructure worker protection whilst working on track taking into account industry best practice. These improvements have included both engineering and procedural changes.
- Fitness for Work - health and wellness initiatives included information and education around diabetes risk factors, healthy eating and the annual influenza vaccination program.

V/Line uses two lag key performance indicators to measure safety:

- Serious Injury Frequency Rate (SIFR) for personal injury
- Signals Passed at Danger (SPAD) for rail safety.

The end of year SIFR registered an increase during 2016-17 (from 30.9 to 38.9 incidents per million hours). This was due primarily to several months in which incidents were above the monthly forecast of 33 incidents per million hours worked.

A detailed analysis found no correlation between the type or location of these incidents but all were classified within the lower potential severity category.

A number of intervention strategies, including enhanced hazard awareness, have resulted in below-forecast injury statistics over the final quarter of the year in review.

Continued vigilance and visible, supportive leadership are critical to maintaining the current improved performance across 2017-18.

The continued decrease in the SPAD rate (from 3.70 to 2.99 incidents per million kilometres) over the year reflects the implementation of systematic processes to address this contributor to rail incidents. The current rate places V/Line among Australia's best-performing rail operators in managing SPADs.

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

- Operational Awareness Training program developed and rolled out to more than 200 frontline staff and managers. This program is designed to up-skill Rail Safety Workers on the non-technical skills essential for safe work and is commonly known in the rail industry as Rail Resource Management.
- Active promotion of in-field hazard reporting to proactively manage risks and to build a positive culture of risk awareness across the workforce.
- Ongoing check-in processes with frontline employees to drive engagement with HSE initiatives.

The number of trespasser events on the network in 2015-16 reached a record high of 624. A number of mitigation measures have been implemented including increased security patrols and monitoring of high-risk locations. This has resulted in a marked decrease for the period 2016-17 with 580 incidents reported. Our program of active trespasser management has paid particular attention to growth areas where the potential for trespassing on the rail corridor is an ongoing concern.

Numerous scheduled HSE meetings and forums during the year provided V/Line with governance and oversight. These included the V/Line Board Safety, Security, Health and Environment sub-committee; the management-led HSE Council; the health and safety representative committee meetings; and a range of front-line safety *toolbox talks* and pre-start sessions.

V/Line worked closely with the Office of the National Rail Safety Regulator during the year to address known issues related to level crossing activation systems in combination with the VLocity train fleet. A detailed program of work was instigated and included changes to inspection processes and engineering enhancements based on detailed risk assessments.

Additionally, the Victorian Railway Crossing Safety Steering Committee (VRCSSC) met four times during the year, overseeing the Safer Country Crossing Program. This four-year program focuses predominantly on upgrading passive crossings with Stop and Give Way signs, to include boom gates, bells and flashing lights

The total number of hazards and incidents has decreased by one percent (81) yet the hazards and incidents per 100 FTE has decreased by almost eight per cent. This is also a positive trend that reflects the considerable focus placed on reporting hazards and close calls during the year.

HSE Indicator Performance

	2016-17	2015-16			2016-17
Measure	Actual	Actual	Forecast	Variance	Better than forecast (%)
Staff Serious Injury Frequency Rate (SIFR)	38.9	30.9	33	-5.9	-17.9
SPAD Rate (Human Factors + Technical)	2.99	3.70	3.50	0.51	13.8

Note: The SIFR reported last financial year was 29.9. The figure has been corrected to 30.9 due to an error in June 2016 reporting.

Hazards and Incidents per 100 FTE

The total number of hazards reported has increased substantially over last reporting year due to a focus by V/Line on reporting. This is an extremely positive sign and an indication that staff are becoming more risk aware. Each hazard reported is tracked in a new database and assigned to a staff owner.

Hazards reported	Per 100 FTE
2016-17	14.45
2015-16	7.63

Note: The hazards reported in the last annual report was the total number of hazards reported, not per 100 FTE. The above figure has now been adjusted to align with the current reporting year.

The total number of incidents is showing a positive downward trend.

Incidents reported	Per 100 FTE
2016-17	440
2015-16	485

Note: The above figures now include all security incidents previously excluded. The 2015-16 number has been adjusted accordingly for comparison purposes.

Workcover – Personal Injury Lost Time Claims

Year	Number of time loss standard claims	Full-time equivalent (FTE)	Per 100 staff	Average cost per claim
2014-15	27	1544.3	1.75	$23,113
2015-16*	24	1610.7	1.49	$49,471
2016-17	30	1730.4	1.62	$42,490

** Adjusted from 2015-16 Annual Report, due to improved data accuracy.*

The total number of WorkCover claims lodged increased in 2016-17. Despite the number of full-time equivalent staff increasing by 119.7, the average cost per claim decreased from $49,471 to $42,490. The focus has been on effective early intervention strategies and improved claims performance management.

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 2016-17 V/Line continued to implement environmental improvements, with significant reductions in fuel and water consumption across the business.

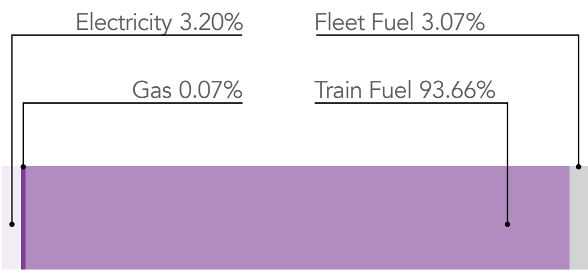
To further manage the potential for pollution and contamination, V/Line has implemented engineering systems to improve the quality of water discharged from fuel point areas.

Environmental performance is guided by an ISO 14001 Environmental Management System and V/Line is in the process of aligning with the most recent version of this standard. In line with *Financial Reporting Direction 24C* issued by the Department of Treasury and Finance, V/Line monitors and records its consumption of energy, water and paper, as well as its output of waste and greenhouse gas emissions at its office-based operations. The results for 2016-17 are described on the next page.

Energy use and greenhouse gas emissions

The running of trains is the primary source of energy consumption at V/Line, with train fuel use accounting for over 1.5 billion megajoules, or approximately 94 per cent of energy consumption. Other sources of energy consumption are our vehicle fleet, and the use of electricity and gas at V/Line sites. Electricity is used for internal and external lighting, heating and air-conditioning as well as office and plant equipment.

Energy consumption



V/Line's energy data and associated greenhouse gas emission data is reliably available from 2010-11. V/Line's target was to maintain energy use per passenger-kilometre at or below the 2015-16 baseline. Energy consumption decreased by 28.13 per cent per passenger-kilometre against the 2010-11 level, but increased by 1.42 percent from 2015-16 usage.

Indicator	2016-17	2015-16	2010-11 (baseline year)
Total energy use (GJ)	1,636,860	1,562,029	1,156,176
Percentage of electricity purchased as Green Power	0%	0.01%	2.35%
Greenhouse gas emissions associated with energy use (tCO_2-e)	125,798	123,747	97,897
Energy use / passenger kilometre (MJ / pass km)	~0.92	~0.91	~1.28
% change in energy use / passenger kilometre	1.42% increase from 2015-16 28.13% decrease from 2010-11		

All electricity reporting – the 2015-16 figures for electricity use have been adjusted from previously reported figures due to improved data accuracy. Service disruption, due to VLocity wheel wear issues, significantly reduced train fuel consumption in the latter half of 2015-16.

Transport

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

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

Indicator	2016-17	2015-16	2009-10 (baseline year)
Energy use (GJ)	50,237	52,933*	32,492
Diesel	49,468	52,106	27,176
Petrol	769	827	5,287
LPG	0	0	30
Greenhouse gas emissions from vehicle fleet (tCO_2-e)	3,511	3,700*	2,269
Diesel	3,457	3,642	1,900
Petrol	54	58	368
LPG	0	0	2
Energy use (GJ)/FTE	29	33	34
Percentage change in energy use per FTE	11.3% decrease from 2015-16 14.2% decrease from 2009-10		

** Adjusted from 2015-16 Annual Report, due to improved data accuracy.*

Environmental regulation and performance

V/Line's operations are subject to environmental regulations under both Commonwealth and State laws. It maintains and takes active steps to improve its environmental management systems and internal procedures to help discharge its obligations under these laws. In 2016-17 there were three incidents of alleged vegetation disturbance, with V/Line investigating and managing remediation of the sites.

V/Line has undertaken works in response to a Clean-Up Notice issued in June 2015 under section *62A of the Environment Protection Act 1970 (Vic)* relating to legacy contamination at Ararat. Remediation of the site has been undertaken and V/Line is completing a verification process.

SECTION THREE

WORKFORCE DATA

OUR PEOPLE

V/Line has continued to develop and implement strategies to support a three-year business and culture change program. The focus has been on developing and maintaining a high-performance culture with an emphasis on safety, leadership, customer service and working as one team. Major achievements for the strategic people initiatives included:

Creating and maintaining a high-performance culture

In December 2016, we conducted the *Your Voice* engagement and alignment survey that showed employee engagement has been maintained at 58 per cent during a period of significant change. V/Line's alignment levels have also remained unchanged from the 2015 survey at 41 per cent. While making steady progress, we will increase our focus on improvements in communication and trust, teamwork and relationships, and recognising excellence over the coming year. Initiatives such as *Just One Thing* have been rolled out by the leadership group to improve engagement within their individual teams and help build a high-performance culture.

Recognising the achievements of our employees is central to what we do each day. To acknowledge staff members who have raised the bar, we launched the *Recognising our People* program. Each month, employees who have gone above and beyond to live up to our purpose, vision, mission, and values will be recognised at an informal morning tea with the CEO and Executive Leadership Team.

A key focus has been developing a transparent and robust performance-framework based on values and clear expectations. The framework includes technical and behavioural capabilities, career development opportunities, performance review processes, and recognition. This aims to promote regular and continuous feedback and ongoing support and development of staff.

V/Line has been working with employees to create our new values and to make the values meaningful through employee story-telling.

Developing our leaders

We have continued to develop our 200 senior and frontline leaders through our Leaders Program that provides for targeted capability development. Quarterly thought leadership forums provide an opportunity for V/Line leaders to engage with industry peers to help achieve a high-performing culture.

Talent development and succession planning continues with job secondments, mentoring, and individual coaching assignments.

Fostering our emerging leaders, through the Management Development Program, continues to be successful with around 180 employees having participated over the past 10 years. In partnership with RMIT University, participants receive a Certificate IV in Management and Leadership.

Capability

V/Line is focused on increasing skills and capability, ensuring the best service to our customers and a fulfilling career path for our people. This is supported through succession planning, recognition and retaining our high-performing staff. A workforce plan has specific initiatives designed to foster a balanced working environment that values equal opportunity and diversity.

V/Line continues to support opportunities for students through the Level Crossing Removal Authority's (LXRA) *Training for the Future* initiatives.

For the first time, we supported the Department of Economic Development, Jobs, Transport, and Resources (DEDJTR) Women in Transport Project through sponsorship of an economically disadvantaged female undergraduate, through the Mary Jane Lewis Scholarship Program.

V/Line continued its sponsorship of engineering and environmental 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.

V/Line's Registered Training Organisation (RTO) accreditation was extended to include 15 Safe Working units of competency, aligning safe working training with accredited outcomes. V/Line's RTO successfully passed the VRQA re-registration audit. Work continued on capturing technical and operational knowledge by developing the first ever General Signalling and Railway Operating Procedure courseware.

As part of our governance framework, we designed and launched our Professional Standards and Governance e-learning course, building consistent and transparent knowledge to ensure that staff behavior is aligned with the Code of Conduct. Employees are made aware that these principles are expected to form the basis of all day-to-day behaviours and actions. This course received a gold award for best compliance training project at the 2017 LearnX Awards.

We are piloting a Personal Effectiveness Program, focusing on thinking and behaviour and how it affects personal effectiveness, team dynamics and organisational culture. The program provides tools to help participants achieve even better results in the future.

Recruitment

Over the past 12 months, 122 new employees commenced with V/Line in various roles including drivers, customer-facing staff and infrastructure employees.

Industrial relations

The Fair Work Commission formally approved V/Line's two new Enterprise Agreements. The agreements are effective until 2019 and deliver a range of employee benefits and service delivery improvement initiatives. Wage increases totaling 14 per cent over the next four years have been agreed. No time has been lost through industrial action and disputes.

Employee and conduct principles

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

Values and employment principles

V/Line has policies and practices to ensure consistent employment standards and provide for fair merit-based recruitment and selection, maintaining a harassment-free work environment, managing poor behavior, career opportunities and the early resolution of workplace issues. V/Line's Code of Conduct is explained to new employees in the induction process and all staff must complete an e-learning module on Professional Standards and Governance that provides advice on avoiding conflicts of interest, responding to offers of gifts and how to deal with misconduct.

Carers Recognition Act 2012 (Carers Act)

V/Line has taken all practical measures to comply with its obligations under the *Carers Recognition Act 2012 (Carers Act)*. These include considering the care relationships principles set out in the Act when setting policies such as reviewing our employment policies including flexible working arrangements and leave provisions to ensure that these comply with the statement of principles in the Act.

Employee snapshot June 2016 – June 2017

JUNE 2017

	All employees		Ongoing			Fixed Term and Casual	
	Number (Headcount)	**FTE**	**Number** (Headcount)	**Number** (Headcount)	**FTE**	**Number** (Headcount)	**FTE**
GENDER							
MALE	1464	1434.1	1332	61	1365.5	71	68.6
FEMALE	312	296.3	241	43	270.7	28	25.6
AGE							
15-24	37	36.7	32	0	32	5	4.7
25-34	289	286	270	9	276.3	10	9.7
35-44	370	363.2	317	18	329.4	35	33.8
45-54	465	459.7	421	15	431.3	29	28.4
55-64	513	489.2	448	52	476.8	13	12.4
65+	102	95.6	85	10	90.4	7	5.2
CLASSIFICATION							
Executive	12	12	0	0	0	12	12
Station staff	312	302.9	277	28	296.2	7	6.7
Conductors	259	256.6	240	8	245.6	3	3
Train drivers	442	419.7	397	45	419	0	0
Authorised officers	9	9	9	0	9	0	0
Strategy & program	88	87.1	63	2	64.4	22	21.2
Infrastructure maintenance	116	114.1	101	2	103	14	12.1
Signal and comms	72	72	71	1	72	0	0
Train controllers	54	54	54	0	54	0	0
Network services	111	111	111	0	111	0	0
Other staff	301	292	250	18	262	41	39.2
	1776	**1730.4**	**1573**	**104**	**1636.2**	**99**	**94.2**

JUNE 2016

	All employees				Ongoing	Fixed Term and Casual	
	Number (Headcount)	FTE	Number (Headcount)	Number (Headcount)	FTE	Number (Headcount)	FTE
GENDER							
MALE	1386	1358.1	1264	57	1294.9	64	62.2
FEMALE	268	252.6	205	46	236.8	18	16.8
AGE							
15-24	32	31.4	28	0	28	4	1.4
25-34	268	265.3	251	9	257.3	8	8
35-44	346	339.2	303	21	317.5	22	21.7
45-54	478	473.9	442	11	449.5	25	25
55-64	463	440.2	394	51	422.5	18	18.2
65+	67	60.7	51	11	56.9	5	4.7
CLASSIFICATION							
Executive	7	7	0	0	0	7	7
Station staff	296	286.9	263	27	282.2	5	4.7
Conductors	237	235.2	223	9	231.2	4	4
Train drivers	393	371.2	359	33	371.2	0	0
Authorised officers	12	12	12	0	12	0	0
Strategy & program	0	0	0	0	0	0	0
Infrastructure maintenance	169	169	163	0	163	6	6
Signal and comms	74	74	74	0	72	2	2
Train controllers	59	59	59	0	59	0	0
Network services	109	107.8	101	2	103.7	5	4.1
Other staff	298	288.6	215	32	237.4	53	51.2
	1654	**1610.7**	**1469**	**103**	**1531.7**	**82**	**79**

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

Income band (salary)	GSERP contract staff	Non-GSERP contract staff
<$160,000	10	
$160,000 - $179,999	13	10
$180,000 - $199,999	12[a]	3
$200,000 - $219,999	4[a]	0
$220,000 - $239,999	1	2
$240,000 - $259,999	3	0
$260,000 - $279,999	3	0
$280,000 - $299,999	2	0
$300,000 - $319,999	0	0
$320,000 - $339,999	0	0
$340,000 - $359,999	0	0
$360,000 - $379,999	1	0
$380,000 - $399,999	0	0
$400,000 - $419,999	0	0
$420,000 - $439,999	1	0
$440,000 - $459,999	0	0
$460,000 - $479,999	0	0
$480,000 - $499,999	0	0

Notes:
The salaries reported above is for the full financial year, at a 1-FTE rate, and excludes superannuation.
[a] *There are 2 employees employed on a part time basis at a 0.8FTE rate and 0.7 FTE rate respectively.*

SECTION FOUR

OTHER DISCLOSURES

Implementation of the Victorian Industry Participation Policy (VIPP)

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

During 2016-17, V/Line commenced eight VIPP applicable procurements totalling $323.7 million. Of those projects, six were located in regional Victoria and two in metropolitan Melbourne. While all the applicable procurements underwent a VIPP Contestability Assessment, one required a VIPP Plan.

During 2016-17, V/Line completed four VIPP applicable projects valued at about $36 million. The outcomes reported from the implementation of the VIPP where information was provided, were as follows:

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

During 2016-17, zero small to medium sized or large businesses prepared a VIPP Plan.

During 2016-17, all projects, which commenced on or after 1 September, had 100 per cent local content as the projects were local by nature.

During 2016-17, zero interaction reference numbers were undertaken with the Industry Capability Network for grants provided and design contracts by the Department.

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.

Consultancies 2016-2017

Details of consultants over $10,000

Non-project related

Consultants	Purpose of consultancy	Total approved project fee (excluding GST) $'000	Expenditure 2016-17 (excluding GST) $'000	Future expenditure (excluding GST) $'000
Partners in Performance International	Initiative program review and implementation	1,255	1,255	-
C.C Kelly & J Yang	Forensic investigation and efficiency services	778	545	232
RSM Bird Cameron	Internal audit and risk management services	270	270	-
J Boyle Associates Limited	Professional fees - sustainability project ACCRI	264	264	-
Barrington Centre Pty Ltd	Employee assistance program and training	262	258	4
Franklin Athanasellis Cullen	Employment lawyers for Enterprise Agreement negotiations	258	258	-
Human Synergistics Australia	Frontline leaders programs incl LSI	230	194	36
Ernst & Young	Internal audit and risk management services	218	218	-
DLA Piper Australia	Probity services	212	137	75
Willis Australia Pty Ltd	Workers compensation services	121	121	-
Taytell Pty Ltd	Specialist training services	118	118	-
A.J. Dever Pty Ltd	Legal advice	67	22	45
Abott Risk Consulting	Consultancy services for level crossing review	61	49	12
Brett Lane and Associates	Environmental management assistance	50	50	-
Parke Lawyers Pty Ltd	Legal advice	43	43	-
Coffey Environments	Environmental management assistance	30	29	1
Pitcher Partners Consulting Pty Ltd	Legal advice	27	27	-
RMIT University	Development of training materials for Cert IV in Train Driving	25	23	2
Governance Matters Pty Ltd	Board performance review	21	21	-
Heading Pty Ltd	Professional engineering services for Geelong Tunnel Track Geometry	15	11	4
John McMillan	Advisory services for Enterprise Agreement	15	15	-
RAAB Consulting	Consulting services for timetable risk and axle counter project	15	15	-
Inframanagement Pty Ltd	Professional engineering services	12	12	-
Department of Environment Land Water and Planning	Valuation of rolling stock	12	12	-
Monash University	Professional engineering services for track measurement and assessment	12	12	-
	TOTAL	**4,391**	**3,979**	**366**

Below $10K		**115**	**115**	**-**

Project related

Consultants	Purpose of consultancy	Total approved project fee (excluding GST) $'000	Expenditure 2016-17 (excluding GST) $'000	Future expenditure (excluding GST) $'000
Rail Control Systems Australia	Professional engineering and design services and includes Elmore - Raywood Road LX upgrade, Gheringhap bonding conversion - signals and comms and safer crossing design, signals and comms	4,029	1,185	2,844
Interface Rail Engineering	Professional engineering services for Murray Basin	1,670	1,502	168
Worley Parsons	Professional engineering and design services for Caroline Springs	933	933	-
Boleh Consulting Pty Ltd and (Australia) Pty Ltd	Professional engineering services for Murray Basin	863	745	118
Clicks IT Recruitment Pty Ltd	JDE ERP system consulting services (V/One Project)	700	635	65
Nuttall Engineering Consultants	Professional engineering services for bridge investigations including Avon River Bridge	550	509	41
Sterling Group Consultants	Inspect, survey and design services including Melton Viaduct, Horseshoe & Ironbark bridges	368	273	95
Aurora Management Consultancies P/L	Project management services for JDE (V/One Project)	250	250	-
Opus International Consultants P/L and (Australia) Pty Ltd	Professional engineering services	217	128	90
Asset Future Pty Ltd	ERP Consultants ACCRI work for JDE (V/One project)	39	19	20
Conservation Consultants Pty Ltd	Architecture services for bonding conversion incl independent review and check, variation designs, CAD drafting for Dynon and LX sites	34	34	-
Mott MacDonald Pty Ltd	Engineering design services	29	29	-
McKenzie Group Consulting Pty Ltd	Professional engineering services for Caroline Springs	15	15	-
Parsons Brinckerhoff Australia Pty Ltd	Geo-environmental site investigation	13	13	-
Bombardier Rail Sig Srvcs Pty Ltd	Level crossing upgrade services	10	10	-
	TOTAL	**9,720**	**6,280**	**3,440**

Below $10K	**Nil**	**Nil**	**Nil**

Information and communication technology expenditure

For the 2016-17 reporting period, V/Line had a total ICT expenditure of $16,200,425, with the details shown below.

All operational ICT expenditure Business As Usual (BAU) ICT expenditure $'000	ICT expenditure related to projects to create or enhance ICT capabilities		
	Business as usual ICT expenditure $'000	Operational expenditure $'000	Capital expenditure $'000
10,156	6,044	0	6,044

Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by VLC. For the 12 months ending 30 June 2017, VLC received six applications. Of these requests, two were from Members of Parliament and four requests from the general public. Of the total requests received by VLC, the majority of were acceded to in full or part, but one went to internal review by the Freedom of Information Commissioner with none progressing to the appeal stage.

Making a request

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

- it should be in writing and addressed to: Freedom of Information Officer, V/Line, GPO Box 5343, Melbourne VIC 3001
- it should identify as clearly as possible which document is being requested
- be accompanied by the application fee of $28.40 (the fee may be waived in certain circumstances).

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

Further information regarding freedom of information (FOI) can be found at foi.vic.gov.au

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*.

National Competition Policy

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

Protected Disclosure Act 2012

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

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

Independent Broad-based
Anti-Corruption Commission (IBAC)
GPO Box 24234
Melbourne, Victoria 3000

ibac.vic.gov.au

Phone: 1300 735 135

Office-based environmental impacts

V/Line is encouraged to report on head office electricity consumption. This electricity is used for lighting and office equipment. Due to the diverse nature of V/Line operations, data is not currently available separately for office-based activities at all sites.

Indicator	2016-17	2015-16	2010-11 (baseline year)
Electricity use / FTE (GJ/FTE)	3.04	3.30	7.24
Electricity use / m2 (GJ/m2)	0.26	0.28	Unknown

Waste

V/Line produces a variety of waste types, ranging from household waste and office waste to used sleepers, ballast, soil and train parts. Of the eight tonnes of waste collected at the main office, more than 42 per cent was recycled. Data on greenhouse gas emissions associated with waste production is currently not available.

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

- Staff members are encouraged to reduce the amount of waste produced and use correct recycling practices.
- Implementation of a four-stream recycling system at main office, including general waste, paper and cardboard recycling, green waste recycling, general recycling and expansion of the scope of plastic types that can be recycled.
- Introduction of an improved data management system for waste disposal.
- Services are available for the recycling of printer cartridges, batteries and other waste electrical equipment throughout the office.

Paper

V/Line recognises that paper use is an important environmental issue and has maintained paper consumption data from 2008-09 onwards. To improve data accuracy, since 2014-15 V/Line has commenced collecting and reporting on paper consumption data monitored by printers, rather than from purchasing information. Paper use per FTE in 2016-17 decreased across the organisation by almost 43.4 per cent against the 2008-09 baseline. Between 2015-16 and 2016-17 the drop in paper use was 5.2 per cent.

Paper data for the whole organisation is included below.

Indicator	2016-17	2015-16	2008-09 (baseline year)
Total paper use (reams)	9,136	9,008	8,560
Paper use / FTE (reams / FTE)	5.3	5.6	9.4
% change in paper use / FTE	5.2% decrease from 2015-16 43.4% decrease from 2008-09		
% Recycled paper purchased	82.3%	87.9%	22.6%

Note: 2015-16 and 2008-09 data for paper consumption have been adjusted from previously reported figures due to improved data accuracy. V/Line has moved to reporting of paper use on a whole of company basis, and now reports based on consumption data rather than purchasing data.

Initiatives

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

- Paper purchased at head office is 100 per cent recycled where possible.
- A printer monitoring system has been implemented to enable more accurate consumption data management.
- A swipe card system has been implemented to reduce unnecessary printing.
- Information regarding paper reduction is included in sustainability communications.

Water

Water is consumed at V/Line sites for many purposes including maintenance works, the washing of trains, kitchens and bathrooms, train watering, and cleaning. Mains supply is the most heavily-used water source at V/Line, however some locations are now using tank or recycled water. Data on this consumption is obtained from invoices sent by the water corporations, and V/Line has maintained data since 2010-11.

Available water data has been used to extrapolate annual consumption for 2016-17. Water consumption per passenger-kilometre increased by 15.1 per cent against the 2015-16 V/Line baseline but has decreased by 7.5 per cent against the 2010-11 baseline.

Indicator	2016-17	2015-16	2010-11 (baseline year)
Total water use (kL)	110,588	92,964*	65,856
Water use/ passenger kilometre (L/1000 pass km)	~62.16	~53.99	~67.23
% change in water use/ passenger kilometre	15.1% increase from 2015-16 7.54% decrease from 2010-11		

** Adjusted from 2015-16 Annual Report, due to improved data accuracy.*

Statement of availability of other information

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by V/Line and are available on request, subject to the provisions of the *Freedom of Information Act 1982*.

Subject to the provisions of the *Freedom of Information Act 1982*, information that shall be retained by the Accountable Officer shall include:

(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 compliance with Ministerial Standing Direction 3.7.1

I, Jennifer Dawson, certify that V/Line Corporation through its wholly owned subsidiary and operating company, V/Line Pty Ltd, has complied with Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes. V/Line Pty Ltd's Audit, Finance and Risk Committees verifies this.

JDawson

Jennifer Dawson
Chair

Compliance with the *Privacy and Data Protection Act 2014*

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

STATEMENT OF CORPORATE INTENT

Vision	Mission	Values
We Connect	To deliver customer-focused, safe and efficient regional passenger transport and rail freight access	• **Safety underpins everything we do:** safety is paramount • **Think customer:** the customer is central to everything we do • **Act with integrity:** we operate professionally and ethically • **Raise the bar:** we strive to improve ourselves and our business • **Deliver as one V/Line**: working as one-team

Strategic objectives and priorities		
Frequency **Reliability** **Punctuality**	**Connecting Regional Victoria**	Support regional and rural communities through reliable transport services and community engagement
	Health Safety and Environment	'Destination Zero' – Zero rail and coach incidents, zero harm to people and zero damage to the environment
	Asset Lifecycle Management	Build and maintain safe rail assets that deliver reliability, punctuality and growth to meet our Service Agreement obligations
	Customer Service/ Operations	Deliver on our customer charter commitments and provide punctual and reliable services
	Financial Management	Provide financial and ICT resources through V/One and other systems to enable V/Line to achieve its objectives
	Organisational Capability and Systems	Provide exceptional performance through organisational capability, our people, systems and stakeholder relationships

STATEMENT OF CORPORATE INTENT (CONT'D)

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

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

Key Performance Indicators include: Customer Satisfaction, Stakeholder Perception, Serious Injury Frequency Rate; Signals Passed At Danger; Asset Reliability, Service Delivery 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 the Public Transport Victoria.

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

V/LINE CORPORATION FINANCIAL STATEMENTS

V/Line Corporation has presented its audited general purpose financial statements for the financial year ended 30 June 2017 in the following structure to provide users with the information about the Corporation's stewardship of resources entrusted to it.

Declaration, Independent Auditor's Report and financial statements

NOTES TO THE FINANCIAL STATEMENTS

DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for V/Line Corporation (the Corporation) and the Corporation's subsidiary (the Consolidated entity) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance 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 2017 and financial position of the consolidated entity at 30 June 2017.

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

We authorise the attached financial statements for issue on 17 August 2017.

Jennifer Dawson, Chair

James Pinder, Chief Executive Officer

Albert Giorgini, Chief Financial Officer

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

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 Corporation's subsidiary (consolidated entity), which comprises the:

- consolidated balance sheet as at 30 June 2017
- consolidated comprehensive operating statement for the year then ended
- consolidated cash flow statement for the year then ended
- consolidated statement of changes in equity for the year then ended
- notes to the financial statements, including a summary of 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 Corporation and the consolidated entity as at 30 June 2017 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. My responsibilities under that Act and those standards are further described 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 Australia. 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 (the Board) 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 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 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 our 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 Corporaiton 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 • 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
18 August 2017

Anna Higgs
as delegate for the Auditor-General of Victoria

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Continuing operations			
Income from transactions			
Revenue	2.1(a)	601,281	550,189
Other income	2.1(b)	177,347	124,953
Total income from transactions		**778,628**	**675,142**
Expenses from transactions			
Operational expenses	3.2,3.3.1	479,782	464,896
Depreciation/Amortisation	4.2	25,270	23,708
Administrative expenses	3.5	61,446	52,478
Project expenses	3.6	81,300	66,229
Infrastructure maintenance	3.7	95,610	58,054
Trains provided free of charge – operating expenditure	3.8	37,349	35,362
Total expenses from transactions		**780,757**	**700,727**
Net result from transactions (net operating balance)		**(2,129)**	**(25,585)**
Other economic flows included in net result			
Net gain/(loss) on financial instruments[a]	3.11(a)	1,640	(82)
Other gains/(losses) from other economic flows	3.11(b)	1,481	(1,558)
Total other economic flows included in net result		**3,121**	**(1,640)**
Net result from continuing operations before income tax		**992**	**(27,225)**
Income tax (expense) benefit	3.9	(1,351)	3,855
Net result	8.1	**(359)**	**(23,370)**
Other economic flows – other comprehensive income:			
Items that may be reclassified subsequently to net result			
Fair value gains/(losses) on hedging instruments, net of tax	7.3	(1,756)	1,397
Total other economic flows – other comprehensive income		**(1,756)**	**1,397**
Comprehensive result		**(2,115)**	**(21,973)**

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 2017

	Notes	2017 $'000	2016 $'000
Assets			
Financial assets			
Cash and cash equivalents	6.1	7,562	20,175
Receivables	5.1	59,597	54,187
Other financial assets	5.6	-	1,996
Total financial assets		**67,159**	**76,358**
Non-financial assets			
Inventories	5.3	17,946	9,889
Property, plant, and equipment	4.1	118,262	130,292
Intangible assets	4.3	11,605	8,834
Other non-financial assets	5.5	4,940	5,021
Total non-financial assets		**152,753**	**154,036**
Total assets		**219,912**	**230,394**
Liabilities			
Payables	5.2	75,842	88,344
Current provisions	3.3.2	72,999	69,473
Non-current provisions	3.3.2	6,129	6,631
Other financial liabilities	5.7	2,508	-
Total liabilities		**157,478**	**164,448**
Net assets		**62,434**	**65,946**
Equity			
Accumulated deficit	8.8	(59,781)	(59,422)
Physical asset revaluation surplus	8.8	123,971	123,971
Hedge reserve	8.8	(1,756)	1,397
Net worth		**62,434**	**65,946**

The accompanying notes form part of these financial statements

Commitments for expenditure	6.2
Contingent assets and contingent liabilities	7.2

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts			
Receipts from government		682,379	590,454
Receipts from tickets sales and other entities		112,122	116,400
Interest received		437	575
Total receipts		**794,938**	**707,429**
Payments			
Payments to suppliers and employees		(790,777)	(694,358)
Goods and Services Tax paid to the ATO[a]		(764)	(1,801)
Total payments		**(791,541)**	**(696,159)**
Net cash flows from/(used in) operating activities	6.1.1	**3,397**	**11,270**
Cash flows from investing activities			
Purchases of non-financial assets		(16,010)	(17,702)
Net cash flows from/(used in) investing activities		**(16,010)**	**(17,702)**
Net increase/(decrease) in cash and cash equivalents		**(12,613)**	**(6,432)**
Cash and cash equivalents at the beginning of the financial year		20,175	26,607
Cash and cash equivalents at the end of the financial year	6.1	**7,562**	**20,175**

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 2017

	Notes	Physical asset revaluation surplus $'000	Hedge reserve $'000	Accumulated deficit $'000	Total equity $'000
Balance at 1 July 2015	8.8	**123,971**	**-**	**(36,052)**	**87,919**
Net result for the year	8.8	-	-	(23,370)	(23,370)
Other comprehensive income for the year	8.8	-	1,397	-	1,397
Balance at 30 June 2016	8.8	**123,971**	**1,397**	**(59,422)**	**65,946**
Net result for the year	8.8	-	-	(359)	(359)
Other comprehensive income for the year	8.8	-	(3,153)	-	(3,153)
Balance at 30 June 2017	8.8	**123,971**	**(1,756)**	**(59,781)**	**62,434**

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 (the Group) for the year ended 30 June 2017.

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

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

The objectives of V/Line are:

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

Basis of preparation

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

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

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

- the fair value of plant and equipment, leasehold improvements and rolling stock, (refer Note 7.3)
- the fair value of financial instruments (refer Note 7.3)
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.3).

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

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

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

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 incorporates assets and liabilities of all reporting entities controlled by the Group as at 30 June 2017, and their income and expenses for that part of the reporting period in which control existed
- the consolidated financial statements exclude bodies in the Group's portfolio that are not controlled by the Group, and therefore are not consolidated. Bodies and activities that are administered are also not controlled and not consolidated.

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

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

V/Line Corporation is represented by:

Investment in subsidiary	$1
Contributed equity	$1

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

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

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

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

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

Entities consolidated within the V/Line Corporation group are:

Name	Principal place of incorporation and business	Equity interest	2017 $'000	2016 $'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 Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

These annual general purpose financial statements were authorised for issue by the Board of Directors (the Board) on 17 August 2017.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

To enable the Group to fulfill its objectives and provide outputs as described in Section 4, it receives income from various sources.

Structure

2.1 Summary of income that funds the delivery of our services

2.2 Ticket sales/farebox

2.3 Contributions

2.4 Value-in-kind

2.5 Project re-imbursement

2.1 Summary of income that funds the delivery of our services

	Notes	2017 $'000	2016 $'000
(a) Revenue			
Ticket sales/farebox revenue	2.2	96,402	106,163
Inter-operator income		778	909
Contributions from government	2.3	454,963	397,206
Other income		11,789	10,549
Trains provided free of charge (value-in-kind)	2.4	37,349	35,362
Total revenue		**601,281**	**550,189**
(b) Other income			
Interest		437	575
Project re-imbursement	2.5	176,910	124,378
Total other income		**177,347**	**124,953**
Total income from transactions		**778,628**	**675,142**

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 that it can be reliably measured.

2.2 Ticket sales/farebox

Myki ticketing system	65,410	76,034
V/Net ticketing system	30,992	30,129
Total ticket sales	**96,402**	**106,163**

Farebox revenue is recognised as received when paid. V/Line receives farebox revenue from both the myki and V/Net ticketing systems. Myki revenues are subject to the allocation methodologies of the New Ticketing System Revenue Sharing Agreement. V/Net is V/Line's ticketing system for non-myki areas and this revenue is directly received.

2.3 Contributions from government

	2017 $'000	2016 $'000
Franchise subsidy	450,263	390,972
Leave funding	4,700	6,234
Total contributions from government	**454,963**	**397,206**

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	37,349	35,362
Total trains received free of charge	**37,349**	**35,362**

Use of VLocity, diesel multiple unit trains which are leased or owned by Rolling Stock Holdings Pty Ltd are received free of charge (value-in-kind; VIK). The VIK measurement is based on the value of the lease payments 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 8.9 where the amount is shown against PTV.

2.5 Project reimbursement

Government	169,917	122.440
Other entities	6,993	1,938
Total project reimbursement	**176,910**	**124,378**

V/Line 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.

V/Line manages all of its projects according to its Project Management Methodology. Many of these projects are funded through various government bodies like PTV and DEDJTR. V/Line engage 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 provision of services are recorded.

Structure

3.1 Expenses incurred in delivery of services (excl. depreciation/amortisation)

Expenses incurred in delivery of services (excl. depreciation/amortisation)

	2017 $'000	2016 $'000
Operating costs (excl. labour)	252,591	246,881
Employee benefit expenses	227,191	218,015
Administration expenses	61,446	52,478
Project expenses	81,300	66,229
Infrastructure maintenance	95,610	58,054
Trains provided free of charge (value-in-kind)	37,349	35,362
Total expenses incurred in delivery of services	**755,487**	**677,019**

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

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.

Value-in-kind

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

3.2 Operating costs (excl. labour)

Operating costs (excl. labour)

	2017 $'000	2016 $'000
Fleet maintenance	120,650	104,262
Fuel costs	22,901	20,717
Access charges	15,876	15,222
V/Line-branded coach contract costs	35,135	32,741
Road coach services	13,027	33,934
Other direct costs	14,885	18,086
Repairs and maintenance	30,117	21,919
Total operating costs (excl. labour)	**252,591**	**246,881**

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

3.3 Employee benefit expenses

3.3.1 Employee benefit expenses in the comprehensive operating statement

Employee benefit expenses in the comprehensive operating statement

Salaries and wages	172,996	161,419
Superannuation	21,859	20,773
Annual leave and long service leave expense	19,530	23,660
Other on-costs (payroll tax and WorkCover levy)	12,806	12,163
Total employee benefit expenses in the comprehensive operating statement	**227,191**	**218,015**

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

3.3.2 Employee benefit expenses in the balance sheet

Employee benefit expenses in the balance sheet

	2017 $'000	2016 $'000
Current employee provisions		
Employee benefits (Note 3.3.2 (a)):[i] Annual leave (Note 3.3.2(a)):		
- unconditional and expected to be settled wholly within 12 months[iii]	15,981	14,291
- unconditional and expected to be settled wholly after 12 months[ii]	4,156	3,720
	20,137	18,011
Other leave (Note 3.3.2(a)):		
- unconditional and expected to be settled wholly within 12 months[iii]	2,233	889
	2,233	889
Long service leave (Note 3.3.2(a)):		
- unconditional and expected to be settled wholly within 12 months[iii]	8,529	8,133
- unconditional and expected to be settled wholly after 12 months[ii]	32,400	31,779
	40,929	39,912
Other provisions – employee related (Note 3.3.2(a))		
Other provisions – employee related	2,062	2,463
	2,062	2,463
Total employee provisions	**65,361**	**61,275**
Provisions for on-costs (Note 3.3.2(a) and Note 3.3.2(b)):		
- unconditional and expected to be settled wholly within 12 months[iii]	3,953	3,919
- unconditional and expected to be settled wholly after 12 months[ii]	3,685	4,279
Total provision for on-costs	**7,638**	**8,198**
Total current employee provisions	**72,999**	**69,473**
Non-current provisions Employee benefits (Note 3.3.2(a)):[i]		
Long service leave	5,615	6,072
On-costs (Note 3.3.2(a) and Note 3.3.2(b))	514	559
Total non-current employee provisions	**6,129**	**6,631**
Total employee provisions	**79,128**	**76,104**

(a) Employee benefits and on-costs[i]

Employee benefits and on-costs

	2017 $'000	2016 $'000
Current employee benefits		
Annual leave	20,137	18,011
Long service leave	40,929	39,912
Other leave	2,233	889
Other provisions – employee related	2,062	2,463
Total current employee benefits	**65,361**	**61,275**
Non-current employee benefits		
Long service leave	5,615	6,072
Total non-current employee benefits	**5,615**	**6,072**
Total employee benefits	**70,976**	**67,347**
Current on-costs	7,638	8,198
Non-current on-costs	514	559
Total on-costs	**8,152**	**8,757**
Total employee benefits and on-costs	**79,128**	**76,104**

[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.*

(b) Movement in provisions

Movement in provisions

	Employee benefits	On-costs	Total
	2017 $'000	2017 $'000	2017 $'000
Opening balance	**67,347**	**8,757**	**76,104**
Net additional provisions recognised and reductions arising from payments/other sacrifices of future economic benefits	2,281	738	3,019
Reductions resulting from re-measurement or settlement without cost	-	(1,476)	(1,476)
Unwind of discount and effect of changes in the discount rate	1,348	133	1,481
Closing balance	**70,976**	**8,152**	**79,128**
Current	65,361	7,638	72,999
Non-current	5,615	514	6,129
Total	**70,976**	**8,152**	**79,128**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave (LSL) for services rendered to the reporting date.

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

(i) Wages, salaries, and annual leave

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

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and other short-term employee benefits are measured at:

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

(ii) Long service leave (LSL)

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

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

The components of this current LSL are measured at:

- undiscounted value - component that the Group expects to wholly settle within 12 months
- present value - component that the Group does not expect to wholly settle within 12 months.

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

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

(iii) Termination benefits

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

(iv) Employee benefits on-costs

Provisions for on-costs comprising payroll tax, workers' compensation and superannuation are recognised separately from the provision for employee benefits.

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 which do not attract superannuation payment obligation.

3.4 Superannuation

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 Group does not recognise any defined benefit liability in respect of the plans because it has no legal or constructive obligation to pay future benefits relating to its employees. Its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefit liabilities in its disclosure for administered items.

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

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

	Paid contribution for the year		Contributions outstanding at year end	
Fund	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Defined benefit plans[i]				
State Superannuation Fund – revised and new	5,486	6,022	1,174	518
Transport Superannuation Fund	1,871	2,023	412	175
Total defined benefit plans	**7,356**	**8,045**	**1,586**	**693**
Defined contribution plans				
VicSuper	7,303	6,868	985	613
Various other	5,093	4,190	92	388
Total defined contribution plans	**12,396**	**11,058**	**1,077**	**1,001**
Total superannuation plans	**19,752**	**19,103**	**2,663**	**1,694**

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

3.5 Administrative expenses

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

Administrative expenses are made up of the following expense categories:

	2017 $'000	2016 $'000
Administration	54,220	44,875
Selling	1,073	1,253
Marketing and communication	2,310	2,474
Customer services	3,843	3,876
Total administrative expenses	**61,446**	**52,478**

3.6 Project expenses

V/Line undertakes various major public transport infrastructure projects, on assets owned by other government entities. These projects include the annual works 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

These expenses are recognised as an expense in the period in which they are incurred. The VIK measurement is based on the value of the lease payments or the notional value based on the capital cost per unit of rolling stock purchased outright. An expense of the equal amount is also recognised in the Consolidated Comprehensive Operating Statement. Therefore, the net impact on comprehensive income is zero arising from this recognition.

3.9 Income tax expense/(benefit)

Income tax expense/(benefit)

	2017 $'000	2016 $'000
Accounting profit/(loss) before income tax	992	(27,225)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)	298	(8,168)
Tax expense relating to non-temporary differences	2	-
Deferred tax expense relating to reversal of temporary differences	1,051	(330)
Tax losses not recognised due to uncertainty of recovery	-	4,643
Income tax expense/(benefit)	**1,351**	**(3,855)**
The component of tax expense/(benefit) comprises:		
Current tax	4,399	(3,115)
Deferred tax	(3,048)	(740)
Balance	**1,351**	**(3,855)**
Weighted average tax rate	136.1%	14.2%

3.10 Leases

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

3.11 Other economic flows included in net result

(a) Net gain/(loss) on financial instruments

Impairment of contractual receivables	(26)	(136)
Net gain/(loss) on arising from financial instruments	1,666	54
Total net gain/(loss) on financial instruments	**1,640**	**(82)**

(b) Other gains/(losses) from other economic flows

Net gain/(loss) arising from revaluation of long service leave liability	1,481	(1,558)
Total other gains/(losses) from other economic flows	**1,481**	**(1,558)**

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

The Group controls infrastructure that is utilised in fulfilling its objectives 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
4.2 Depreciation and impairment
4.3 Intangible assets
4.4 Investment in subsidiaries

4.1 Property, plant and equipment

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

	Total transportation and communication[ii]	
	2017 $'000	**2016 $'000**
Plant and equipment		
At fair value	38,845	38,453
Accumulated depreciation	(33,684)	(33,685)
Net carrying amount	**5,161**	**4,768**
Rolling stock		
At fair value	128,754	128,048
Accumulated depreciation	(36,333)	(17,842)
Net carrying amount	**92,421**	**110,206**
Leasehold improvements		
At fair value	8,223	8,064
Accumulated depreciation	(5,943)	(5,521)
Net carrying amount	**2,280**	**2,543**
Rolling stock – capitalised improvements		
At fair value	19,676	9,665
Accumulated depreciation	(4,754)	(1,435)
Net carrying amount	**14,922**	**8,230**
Capital works in progress	**3,478**	**4,545**
Total property, plant, and equipment	**118,262**	**130,292**

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

(ii) The Group classifies all its property, plant, and equipment into the purpose group of transportation and communication. This purpose is based upon the government's purpose classifications, as per above.

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

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

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

There were no changes in valuation techniques throughout the period to 30 June 2017.

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

Classification by 'purpose groups' – movement in carrying amounts

	Total transportation and communication	
	2017 $'000	2016 $'000
Rolling stock at fair value		
Carrying amount at beginning of year	110,206	128,048
Increase due to revaluation	-	-
Transfer WDV of capitalised improvements due to revaluation	-	-
Depreciation expense	(17,785)	(17,842)
Carrying amount at end of year	**92,421**	**110,206**
Rolling stock at cost – capitalised improvements		
Carrying amount at beginning of year	8,230	-
Additions	10,011	9,665
Transfers from works in progress	-	-
Transfer WDV to rolling stock due to revaluation	-	-
Depreciation expense	(3,319)	(1,435)
Carrying amount at end of year	**14,922**	**8,230**
Plant and equipment		
Carrying amount at beginning of year	4,768	5,702
Additions	1,133	696
Transfers from works in progress	-	-
Disposals	(19)	-
Depreciation expense	(721)	(1,630)
Carrying amount at end of year	**5,161**	**4,768**

Classification by 'purpose groups' – movement in carrying amounts (cont'd)

	Total transportation and communication	
	2017 $'000	2016 $'000
Leasehold improvements		
Carrying amount at beginning of year	2,543	2,520
Additions	159	533
Transfers from works in progress	-	-
Depreciation expense	(422)	(510)
Carrying amount at end of year	**2,280**	**2,543**
Capital works in progress		
Carrying amount at beginning of year	4,545	8,863
Additions	4,727	6,807
Transfer to intangible assets	(5,794)	(11,125)
Transfers to fixed assets	-	-
Carrying amount at end of year	**3,478**	**4,545**
Total property, plant and equipment		
Carrying amount at beginning of year	130,292	145,133
Additions	16,030	17,701
Transfers from works in progress	-	-
Increase due to revaluation	-	-
Disposals	(19)	-
Depreciation expense	(22,247)	(21,417)
Transfer to intangible assets	(5,794)	(11,125)
Transfers to fixed assets	-	-
Carrying amount at end of year	**118,262**	**130,292**

All additions are initially measured at cost and subsequently re-valued at fair value less accumulated depreciation and impairment upon the revaluation of the entire asset class.

4.1.3 Rolling stock

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

The refurbishment program included in the rolling stock management plan includes major examinations and overhauls of rolling stock. The 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 VGV full valuation. Included in the refurbishment program is the replacement of major units such as traction and locomotive motors, generators, wheel sets and bogies. These items are capitalised and depreciated over their useful life. All other maintenance examinations and minor works 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 depreciated replacement cost method was used as the primary method of the last valuation, and provided a fair value for the rolling stock fleet as at 30 June 2015 of $128 million.

The Group considers that the net carrying amount of the rolling stock as at 30 June 2017 is a reasonable approximation of its fair value at this date.

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

Any interim revaluations are determined in accordance with the requirements of the FRDs.

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

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

Revaluation increments or decrements are accounted for as follows:

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

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

4.1.4 Leasehold improvements

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

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

4.2 Depreciation and impairment

Depreciation/amortisation of non-financial assets

	2017 $'000	2016 $'000
Rolling stock	17,785	17,842
Rolling stock - capitalised improvements	3,319	1,435
Plant and equipment	721	1,630
Leasehold improvements	422	510
Intangible assets	3,023	2,291
Total depreciation/amortisation of non-financial assets	**25,270**	**23,708**

4.2.1 Depreciation

All infrastructure assets, buildings, plant, and equipment and other non-financial physical assets (excluding items under operating leases) that have finite useful lives are depreciated.

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

4.2.2 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 depreciated replacement cost and fair value less costs to sell.

4.2.3 Estimated useful lives of property, plant, and equipment

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

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

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

4.3 Intangible assets

Intangible assets

	Computer software		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Gross carrying amount				
Opening balance	11,125	-	11,125	-
Additions	5,794	11,125	5,794	11,125
Closing balance	**16,919**	**11,125**	**16,919**	**11,125**
Accumulated amortisation				
Opening balance	(2,291)	-	(2,291)	-
Amortisation of intangible non-produced assets	(3,023)	(2,291)	(3,023)	(2,291)
Closing balance	**(5,314)**	**(2,291)**	**(5,314)**	**(2,291)**
Net book value at end of financial year	**11,605**	**8,834**	**11,605**	**8,834**

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.

4.3.1 Amortisation

Intangible non-produced assets with finite lives are amortised as an other economic flow on a systematic (straight line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management

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

5.1 Receivables

5.2 Payables

5.3 Inventories

5.4 Taxes

5.5 Other non-financial assets

5.6 Other financial assets

5.7 Other financial liabilities

5.1 Receivables

Contractual and statutory receivables

	2017 $'000	2016 $'000
Contractual		
Trade receivables	34,184	36,726
Other receivables	24,202	16,356
Provision for doubtful contractual receivables	(187)	(161)
Total contractual receivables	**58,199**	**52,921**
Statutory		
Fuel rebate receivable from the ATO	1,398	1,266
Total statutory receivables	**1,398**	**1,266**
Total receivables	**59,597**	**54,187**
Related party receivables (included in above)[a]		
Public Transport Victoria and Department of Economic Development, Jobs, Transport, and Resources	50,628	41,959
Other related parties	76	738
Total relates parties receivables	**50,704**	**42,697**

[a] *Refer Note 8.9 Related parties.*

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 and are carried at nominal amounts due less any allowance for impairment. Receivables are due for settlement at no more than 30 days from the date of recognition.
- Statutory receivables, such as amounts owing from the ATO relating to fuel tax credits. They are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.
- Related party receivables, such as amounts owing from PTV and DEDJTR. They predominantly consist of amounts owing from PTV and DEDJTR and are carried at nominal value due to their short-term nature. There is no interest charged on related party receivables. They are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment.

5.1.1 Doubtful debts

Movement in the provision for doubtful contractual receivables

	2017 $'000	2016 $'000
Balance at beginning of the year	**(161)**	**(71)**
Increase in provision recognised in the net result	(26)	(136)
Reversal of provision of receivables written off during the year as uncollectible	-	46
Balance at end of the year	**(187)**	**(161)**

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with *AASB 136 Impairment of Assets.*

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Bad debts considered as written off by mutual consent are classified as a transaction expense.

Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

During the 2016-17 financial year, an additional $25,637 was also provided for, increasing the provision for doubtful contractual receivables by this amount. In 2016-17 based on a detailed analysis of the recoverability of individual accounts, the Group wrote off $1,081,901 (2016: Nil) as bad unrecoverable debt. This amount has been included as part of Administration expenses as disclosed in Note 3.1.

5.1.2 Ageing analysis of contractual financial assets

Ageing analysis of contractual financial assets

			Past due but not impaired				
	Carrying amount	Not past due and not impaired	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Impaired financial assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017							
Receivables:							
Trade receivables	34,184	-	30,082	3,742	173	-	187
Other receivables	24,202	24,202	-	-	-	-	-
Total	**58,386**	**24,202**	**30,082**	**3,742**	**173**	**-**	**187**
2016							
Receivables:							
Trade receivables	36,726	-	27,932	7,207	1,426	-	161
Other receivables	16,356	16,356	-	-	-	-	-
Total	**53,082**	**16,356**	**27,932**	**7,207**	**1,426**	**-**	**161**

5.2 Payables

5.2.1 Contractual and statutory payables

Contractual and statutory payables

	2017 $'000	2016 $'000
Contractual		
Trade payables – unsecured[i]	26,674	23,906
Superannuation payable	3,947	2,737
Accruals	23,174	22,643
Deferred income	8,112	20,793
Other payables	8,886	10,110
Total contractual payables	**70,793**	**80,189**
Related party payables[i]		
Public Transport Victoria and VicTrack	1,870	2,637
[i] *Note 8.9 related parties.*		
Statutory		
GST payable	1,586	4,090
FBT payable	78	40
Other taxes payable	3,282	3,882
Work cover payable	103	143
Total statutory payables	**5,049**	**8,155**
Total payables	**75,842**	**88,344**

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.

Payables consist of:

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

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

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

5.2.2 Maturity analysis of contractual financial liabilities

Maturity analysis of contractual financial liabilities

	Carrying amount $'000	Less than 1 month $'000	1 - 3 months $'000	3 months - 1 year $'000	1 - 5 years $'000	5+ years $'000
2017						
Payables:						
Trade payables	26,674	-	26,310	364	-	-
Superannuation	3,947	-	3,947	-	-	-
Accruals	23,174	-	23,174	-	-	-
Other payables	8,886	8,886	-	-	-	-
Total	**62,681**	**8,886**	**53,431**	**364**	**-**	**-**
2016						
Payables:						
Trade payables	23,906	-	23,763	143	-	-
Superannuation	2,737	-	2,737	-	-	-
Accruals	22,643	-	22,643	-	-	-
Other payables	10,110	10,110	-	-	-	-
Total	**59,396**	**10,110**	**49,143**	**143**	**-**	**-**

5.3 Inventories

Inventories

	2017 $'000	2016 $'000
Spares and materials at cost	17,946	9,889
Total spares and materials at cost	**17,946**	**9,889**

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

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

5.4 Taxes

Deferred tax balances

	2017 $'000	2016 $'000
Gross deferred tax assets – temporary differences		
Recognised losses available for offsetting against future taxable income	3,556	9,156
Accruals	1,197	846
Provision for employee entitlements	23,949	22,092
Other provisions	56	787
Equity – Fuel Hedge Reserve	752	-
Total deferred tax assets	**29,510**	**32,881**
Deferred tax liability		
Accelerated depreciation for taxation purposes	29,510	32,282
Equity – Fuel Hedge Reserve	-	599
Total deferred tax liability	**29,510**	**32,881**
Net deferred tax asset/(liability)	**-**	**-**

Movement in deferred tax liability:

Opening net deferred tax liability	-	(3,256)
Deferred tax movement through equity	1,351	(599)
Utilisation of carry forward tax losses	(4,399)	-
Generation of carry forward tax losses	-	3,115
De-recognition of excess carry forward tax losses	(1,051)	(4,643)
Income tax expense/(benefit)	4,099	5,383
Aggregate deferred tax asset/(liability)	**-**	**-**

The Group has unrecognised deferred tax assets attributable to carry forward tax losses of $1.1 million (2016: $4.6 million).

Amount charged directly to equity

Fuel hedge reserves	(752)	599
Total amount charged to equity	**(752)**	**599**

By direction of the Treasurer of Victoria, under the *State Owned Enterprise Act 1992*, the Group entered into the NTER on 1 October 2003. Any NTER expense payable is calculated on operating profit or loss adjusted for temporary differences between NTER income and accounting income.

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

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

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

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

5.5 Other non-financial assets

Prepayments

	2017 $'000	2016 $'000
Prepayments	4,940	5,021
Total prepayments	**4,940**	**5,021**

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

5.6 Other financial assets

Current other financial assets

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

5.7 Other financial liabilities

Current other financial liabilities

Fuel hedge derivative	2,508	-
Total other financial liabilities	**2,508**	**-**

To reduce the volatility and provide increased certainty over its diesel fuel exposure the Group has entered in to diesel fuel hedges with TCV. As at 30 June 2017, the Group has monthly diesel fuel hedges maturing until March 2018.

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 borrowings and cash balances).

Structure

6.1 Cash flow information and balances

6.2 Commitments for expenditure

6.1 Cash flow information and balances

Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank	7,407	20,013
Cash on hand	155	162
Total cash and cash equivalents	**7,562**	**20,175**

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

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

Net result for the period	**(359)**	**(23,370)**
Non-cash movements		
Depreciation of non-current assets	25,270	23,708
Tax expense/(benefit)	1,351	(3,855)
Movements in assets and liabilities		
(Increase)/decrease in trade and other receivables	(7,918)	(13,977)
(Increase)/decrease in inventories	(8,057)	(456)
(Increase)/decrease in prepayments	80	(1,049)
(Decrease)/increase in trade and other payables	(9,994)	24,405
(Decrease)/increase in employee benefits	3,024	5,864
Net cash flows from/(used in) operating activities	**3,397**	**11,270**

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.

Commitments for expenditure

Nominal values	2017 $'000	2016 $'000
Capital commitments payable		
Less than 1 year	-	798
Total capital commitments	**-**	**798**
Operating and lease commitments payable		
Less than 1 year	6,234	7,794
Longer than 1 year but not longer than 5 years	8,579	13,455
5 years or more	692	-
Total operating lease commitments	**15,505**	**21,249**
Other commitments payable		
Less than 1 year	3,895	3,960
Longer than 1 year but not longer than 5 years	3,245	7,920
5 years or more	-	-
Total other commitments	**7,140**	**11,880**
Total commitments (inclusive of GST)	**22,645**	**33,927**
Less GST recoverable from the ATO	2,059	3,084
Total commitments (exclusive of GST)	**20,586**	**30,843**

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 tenancy at 628 Bourke Street Melbourne and 750 Collins Street Docklands which expire in 2018 and 2019 respectively and include fixed rate increases of 4.25 per cent and 3.5 per cent at the dates specified in the agreements. The total operating lease expense for the year was $3.1 million (2016: $3.9 million).

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

7. RISKS, CONTINGENCIES, AND 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

7.2 Contingent assets and contingent liabilities

7.3 Fair value determination

7.1 Financial instruments specific disclosures

Introduction

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

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

Categories of financial instruments

Loans and receivables

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

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

Available for sale financial instrument assets

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

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

Derivative financial instruments

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

The Group designates certain derivatives as either:

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

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

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

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

During the financial year, the Group entered into a diesel fuel swap hedge arrangement with Treasury Corporation of Victoria for a period of 12 months. The diesel fuel hedges are designated as cash flow hedges.

Reclassification of financial instruments

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

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method. Financial instrument liabilities measured at amortised cost include the Group's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

The main purpose in holding derivative and non-derivative financial instruments is to prudentially manage the Group's financial risks within the government's policy parameters.

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

7.1.1 Financial instruments: categorisation

2017	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	-	7,562	-
Trade and other receivables	-	58,199	-
Fuel hedge derivative	-	-	-
Total contractual financial assets	**-**	**65,761**	**-**
Contractual financial liabilities			
Trade and other payables	-	-	62,681
Fuel hedge derivative	2,508	-	-
Total contractual financial liabilities	**2,508**	**-**	**62,681**
Net holding gain/(loss) on financial instruments by category			
Interest income	-	437	-
Gain/(loss) on hedge	1,666	-	-
Total net holding gain/(loss) on financial instruments	**1,666**	**437**	**-**

7.1.1 Financial instruments: categorisation (continued)

2016	Contractual financial assets/liabilities designated at fair value through profit/loss $'000	Contractual financial assets – loans and receivables $'000	Contractual financial liabilities at amortised cost $'000
Contractual financial assets			
Cash and cash equivalents	-	20,175	-
Trade and other receivables	-	52,921	-
Fuel hedge derivative	1,996	-	-
Total contractual financial assets	**1,996**	**73,096**	**-**
Contractual financial liabilities			
Trade and other payables	-	-	59,396
Total contractual financial liabilities	**-**	**-**	**59,396**
Net holding gain/(loss) on financial instruments by category			
Interest income	-	575	-
Gain/(loss) on hedge	54	-	-
Total net holding gain/(loss) on financial instruments	**54**	**575**	**-**

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

2017	Net holding gain/(loss) $'000	Impairment loss $'000	Total $'000
Contractual financial assets			
Financial assets designated at fair value through profit/loss	-	-	-
Financial assets	65,761	-	65,761
Total contractual financial assets	65,761	-	65,761
Contractual financial liabilities			
Financial liabilities at amortised cost	62,681	-	62,681
Fuel hedge derivative	2,508	-	2,508
Total contractual financial liabilities	65,189	-	65,189
2016			
Contractual financial assets			
Financial assets designated at fair value through profit/loss	-	-	-
Financial assets	93,271	-	93,271
Total contractual financial assets	93,271	-	93,271
Contractual financial liabilities			
Financial liabilities at amortised cost	59,396	-	59,396
Total contractual financial liabilities	59,396	-	59,396

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

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

7.1.3 Financial risk management objectives and policies

As a whole, the Group's financial risk management program seeks to manage these 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 8.1 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 Department 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.

Market risk

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

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

The Group has minimal exposure to cash flow interest rate risks through its cash and cash equivalents.

Management has concluded for cash at bank as financial assets that can be left at floating rate without necessarily exposing the Group to significant bad risk, management monitors movement in interest rates on a daily basis.

As at 30 June 2017 and 2016 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 of financial instruments

2017	Floating interest rate $'000	Non-interest -bearing $'000	Total $'000
Financial assets			
Cash and cash equivalents	7,562	-	7,562
Trade and other receivables	-	58,199	58,199
Fuel hedge derivative	-	-	-
Total financial assets	**7,562**	**58,199**	**65,761**
Weighted average interest rate	1.5%	n/a	-
Financial liabilities			
Trade and other payables	-	62,681	62,681
Fuel hedge derivative	-	2,508	2,508
Total financial liabilities	**-**	**65,189**	**65,189**
2016			
Financial assets			
Cash and cash equivalents	20,175	-	20,175
Trade and other receivables	-	52,921	52,921
Fuel hedge derivative	-	1,996	1,996
Total financial assets	**20,175**	**54,917**	**75,092**
Weighted average interest rate	1.75%	n/a	-
Financial liabilities			
Trade and other payables	-	59,396	59,396
Total financial liabilities	**-**	**59,396**	**59,396**

Commodity risk

Commodity risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities.

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

As at 30 June 2017, the Group has monthly diesel fuel hedges maturing until March 2018. The cash flow impact will be incurred in the month that the hedges mature.

At the end of the reporting period, the details of outstanding diesel hedging contracts are as follows:

Maturity of notional amounts

	Fixed diesel fuel price		Notional Principal	
	2017 Cents per litre	**2016 Cents per litre**	**2017 $'000**	**2016 $'000**
Less than 1 year	55.3	45.7	27,404	15,583
1 to 2 years	-	-	-	-
2 to 5 years	-	-	-	-
			27,404	15,583

As at 30 June 2017, the diesel fuel hedges were a financial liability and had a fair value of $2,507,919 (2016: $1,995,914 financial asset). Refer 5.6 and 5.7. This amount has been recognised in Other Comprehensive Income, net of tax.

Reconciliation of cash flow hedge reserve

	2017 $'000	**2016 $'000**
Opening balance	1,397	-
Revaluations to fair value, net of tax	(4,819)	1,451
Gain on settlement of hedge transferred to profit or loss	1,666	(54)
Closing balance, net of tax	**(1,756)**	**1,397**

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

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

Foreign currency risk

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

Credit risk

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

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

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

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

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

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

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

	AAA Credit Rating $'000	Other $'000	Total $'000
2017			
Contractual financial assets			
Cash and cash equivalents	7,562	-	7,562
Trade and other receivables	55,764	2,435	58,199
Fuel hedge derivative	-	-	-
Total contractual financial assets	**63,326**	**2,435**	**65,761**
2016			
Contractual financial assets			
Cash and cash equivalents	20,175	-	20,175
Trade and other receivables	43,923	8,998	52,921
Fuel hedge derivative	1,996	-	1,996
Total contractual financial assets	**66,094**	**8,998**	**75,092**

Refer Section 5.1 for the maturity analysis of contractual financial assets.

Liquidity risk

Liquidity risk is the risk that the Group would be unable to meet its financial obligations as and when they fall due. The Group manages liquidity risk by closely monitoring forecast cash flows to ensure that adequate funding is maintained at all times.

The Department of Economic Development, Jobs, Transport and Resources (DEDJTR) 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 2018, should this be required. This assurance from DEDJTR for financial support only applies while the Group remains in full state ownership.

Refer Section 5.2 for the maturity analysis of contractual financial liabilities.

Sensitivity analysis

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

- In relation to cash and cash equivalents, the movement of 100 basis points up and down (2016: 100 basis points up and down) in market interest rates, would result in the net result increasing/(decreasing) by $75,620/ ($75,620) (2016: $202,000/ ($202,000)).
- In relation to the diesel fuel swap hedges, the movement of 10% up and down in Gasoil 500PPM AUD per barrel would result in no change to the net result as the diesel fuel swap hedges will still be considered effective. Other financial assets and hedge reserve will be increased/(decreased) by $1,771,307/ ($1,1771,307) (2016: $1,706,146/ ($1,706,146)).

7.2 Contingent assets and contingent liabilities

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

7.2.1 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.

7.2.2 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
- 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
  - the amount of the obligations cannot be measured with sufficient reliability.

The Group's 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 operations are subject to various environmental regulations under both Commonwealth and State laws. We take active steps to improve our environmental management systems and ongoing internal procedures, to help discharge obligations under these laws. In 2016-17, there were three incidents of alleged vegetation disturbance, with V/Line investigating the incidents and where necessary working with the Department of Environment, Land, Water, and Planning (DELWP) to put in place a remediation plan.

A Clean Up Notice under section 62A of the *Environment Protection Act 1970 (Vic) (EPA Act)* relating to the remediation of legacy contamination at Ararat was issued in July 2016 and remained open throughout 2016-17. The contamination existed within a small section of rail land adjacent to the disused rail line between Ararat and Maryborough near the Grano Street level crossing and is the result of historical gasworks activities on the adjacent site. Remediation activities have been completed and verification is currently underway.

The waste water treatment plant at the fuel point in the Southern Cross Yard has been upgraded to process effluent to storm water quality. The system is now compliant with discharge requirements, and no longer discharges to sewer.

7.3 Fair value determination

7.3.1 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;
- infrastructure, plant and equipment;

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

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

7.3.2 Fair value hierarchy

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

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

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

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

The Valuer-General Victoria (VGV) is the Group's independent valuation agency. The Group in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

7.3.3 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
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

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

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

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	7,562	20,175
Trade and other receivables	58,199	52,921
Fuel hedge derivative	-	1,996
	65,761	**75,092**
Financial liabilities		
Trade and other payables	62,681	59,396
Fuel hedge derivative	2,508	-
Net financial assets	**572**	**15,696**

Valuation techniques and inputs used to measure level 2 fair values

	Fair Value at 30 June 2017 ($'000)	Valuation technique	Inputs used
Diesel fuel swap hedges	(2,508)	Income approach using discounted cash flow methodology	Commodity price AUD: USD exchange rates

7.3.4 Fair value determination of non-financial physical assets

Fair value measurement hierarchy for assets

2017	Carrying amount as at 30 June 2017 $'000	Fair value measurement at end of reporting period using: Level 1 $'000	Level 2 $'000	Level 3 $'000
Plant and equipment at fair value	5,161	-	-	5,161
Rolling stock at fair value	92,421	-	-	92,421
Leasehold improvements at fair value	2,280	-	-	2,280
Rolling stock – capitalised improvements at fair value	14,922	-	-	14,922
2016	**Carrying amount as at 30 June 2016 $'000**	**Fair value measurement at end of reporting period using: Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Plant and equipment at fair value	4,768	-	-	4,768
Rolling stock at fair value	110,206	-	-	110,206
Leasehold improvements at fair value	2,543	-	-	2,543
Rolling stock – capitalised improvements at fair value	8,230	-	-	8,230

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 depreciated replacement cost, adjusted for the associated depreciations.

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

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

There were no changes in valuation techniques throughout the period to 30 June 2017.

For all assets measured at fair value, the current use is considered the highest and best use. For movement in carrying amount of assets please refer to section 4.1.

Description of significant unobservable inputs to Level 3 valuations

2017	Valuation technique	Significant unobservable inputs
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
Rolling stock	Depreciated replacement cost	Cost per unit Useful life of rolling stock
Leasehold improvements	Depreciated replacement cost	Cost of improvement Shorter of the remaining term of the lease or the useful life of the improvement
Rolling stock – capitalised improvements	Depreciated replacement cost	Cost per improvement Useful life of capitalised improvement

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

8. OTHER DISCLOSURES

Introduction

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

Structure

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

8.1 Scope and presentation of financial statements

8.1.1 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
- fair value changes of financial instruments.

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

8.1.2 Consolidated balance sheet

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

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

8.1.3 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.*

8.1.4 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 108B*. The Group has a Services Agreement with PTV which determines the services that the Group provides and the subsidy payments received for those services. Hence, the Group's funding is based on achieving a small profit or loss before interest, depreciation and tax. Neither the mission nor corporate strategies of the Group reflect achieving profit. The Group has been deemed to have a not-for-profit status and accordingly those accounting standards applicable to not-for-profit entities have been applied.

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. Allocations are made through the State Government of Victoria's budget to enable V/Line to meet its output obligations under the Service Agreement with PTV. Once the budget allocation is approved the final funding available to the Group is determined for that year. Funding requirements for the year ending 30 June 2018 have been set under an approved budget allocation.

DEDJTR formally agrees annually to provide adequate cash flow support through PTV to enable the Group to meet its current and future operational obligations each year as and when they fall due. This support extends to September following the budgeted year of operation to ensure continuity of funding into the next budget period. This support is formalised via a letter of support from DEDJTR. This assurance from DEDJTR for financial 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 $61.3 million (2016: $66.5 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 Services Agreement with PTV, which is expected to be finalised and executed by 30 September 2017.

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 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.

8.5 Responsible persons

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

8.5.1 Names

The persons who held the positions of Ministers and Accountable Officers in the Company are as follows:

Minister for Public Transport & Major Projects	The Hon. Jacinta Allan MP	01 July 2016 to 30 June 2017
Treasurer	The Hon. Tim Pallas MP	01 July 2016 to 30 June 2017

Chief Executive Officer	Mr G Liddle	01 Jul 2016 to 28 Oct 2016
Acting Chief Executive Officer	Ms Carol Anne Nelson	29 Oct 2016 to 27 Nov 2016
Chief Executive Officer	Mr J Pinder	28 Nov 2016 to 30 June 2017

8.5.2 Remuneration

Remuneration received or receivable by the Accountable Officers in connection with the management of the Company during the reporting period was in the range of $440,000 - $449,999 ($730,000 - $739,999 in 2015-16).

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

8.6 Remuneration of executives

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

Remuneration comprises 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, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave, or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Executives receive free public transport throughout Victoria which is not included as remuneration in this note as it is not material in value.

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

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

Remuneration of executive officers

	2017 $	2016 $
Short-term employee benefits	2,455,445	2,011,080
Post-employment benefits	212,650	195,463
Termination benefits	235,731	303,054
Total remuneration[(i)]	**2,903,826**	**2,509,597**
Total number of executives[(ii)]	**15**	**7**
Total annualised employee equivalent (AEE)[(iii)]	**11**	**6**

(i) Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 Employee Benefits.

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

(iii) 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).

8.7 Remuneration of auditors

Amounts received or due and receivable by the auditors for auditing the Group

	2017 $'000	2016 $'000
Victorian Auditor General's Office - audit of the financial statements	109	100
Total remuneration of auditors	**109**	**100**

8.8 Equity

Accumulated deficit	2017 $'000	2016 $'000
Balance at beginning of the year	(59,422)	(36,052)
Net result	(359)	(23,370)
Balance at end of the year	**(59,781)**	**(59,422)**
Physical asset revaluation surplus		
Balance at beginning of the year	123,971	123,971
Net increase/(decrease) in asset revaluation reserve[i]	-	-
Balance at end of the year	**123,971**	**123,971**
Hedge reserve		
Balance at beginning of the year	1,397	-
Net increase/(decrease) in hedge reserve[ii]	(3,153)	1,397
Balance at end of the year	**(1,756)**	**1,397**

[i] *The physical assets revaluation surplus arises on the revaluation of the classic fleet rolling stock.*

[ii] *The hedge reserve surplus arises from recording the valuation of the fuel hedge net of income tax effect.*

8.9 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
- 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.

8.9.1 Significant transactions with government-related entities

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

Related party	Nature of transaction	Terms and conditions	2017 $	2016 $
Expenses				
Public Transport Victoria (PTV)	Provision of network marketing and customer information services including operation of a call centre	In accordance with the Services Agreement	200,874	169,028
Victorian Rail Track (VicTrack)	Provision of communication services	In accordance with agreement between the parties	19,088,870	15,651,943
Department of Environment, Land, Water and Planning	Valuation of non-financial assets	In accordance with agreement between the parties	15,575	58,547
Treasury Corporation Victoria (TCV)	Diesel fuel hedges	In accordance with agreement between the parties	187,428	-

Related party	Nature of transaction	Terms and conditions	2017 $	2016 $
Revenue				
Public Transport Victoria (PTV)	Provides funding to the Group	In accordance with the Services Agreement	454,962,984	397,206,364
Public Transport Victoria (PTV)	Myki/Ticket sales	In accordance with the Revenue Sharing agreement	65,410,201	76,033,919
Public Transport Victoria (PTV)	Reimbursement of project expenditure	In accordance with agreement between the parties	162,969,031	118,675,819
VicRoads	Reimbursement of project expenditure	In accordance with agreement between the parties	122,565	34,233
Public Transport Victoria (PTV)	Free use of VLocity trains	In accordance with agreement between the parties	37,349,472	35,361,871
Department of Economic Development, Jobs, Transport and Resources (DEDJTR)	Reimbursement of project expenditure	In accordance with agreement between the parties	6,699,626	2,985,687
Victorian Rail Track (VicTrack)	Network access charges	In accordance with agreement between the parties	127,815	171,976
Victorian Rail Track (VicTrack)	Reimbursement of project expenditure	In accordance with agreement between the parties	125,933	744,253

8.9.2 Key Management Personnel

Key Management Personnel of the Company include the Portfolio Minister, the Hon. Jacinta Allan MP and Treasurer, the Hon. Tim Pallas MP, Accountable Officer, Directors and members of the Senior Executive Team.

The names of the Directors during the financial year were:

Ms Jennifer Dawson

Mr Craig Cook

Mr David Harris (until 30 June 2017)

Mr John Donovan

Ms Gabrielle Bell

Ms Kay Macaulay

Ms Rachel Thomson was appointed as a Director of V/Line on 1 July 2017.

The names of the Senior Executive team members during the financial year were:

Chief Executive Officer	James Pinder	Commenced 28/11/16
Acting Chief Operating Officer	Carol-Anne Nelson	Commenced 16/08/16
Chief Financial Officer	Albert Giorgini	Commenced 06/02/17
EGM Enterprise Governance and Risk	Brendan Geary	Ongoing
Company Secretary	Rochelle Reynolds	Commenced 10/02/17
EGM Health, Safety and Environment	Dean Matthews	Ongoing
EGM Strategy and Program	Colin Taylor	Commenced 29/08/16
EGM Asset Management	Alex Panayi	Commenced 01/05/17
EGM Service Delivery	Paul D'Alessio	Commenced 08/05/17
EGM Corporate Affairs	Daniel Hoare	Commenced 29/05/17
Acting EGM Customer	Melinda Button	Commenced 16/08/16
Acting EGM Human Resources	Elaine Seckold	Commenced 26/04/17
Chief Financial Officer	Phil Beale	Ceased 03/02/17
EGM Asset Management	David Cameron	Ceased 03/02/17
EGM Service Delivery	Judith Sturman	Ceased 06/02/17

The compensation detailed below excludes the salaries and benefits the Portfolio Minister 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.

Remuneration of Key Management Personnel

	2017 $	2016 $
Short-term employee benefits	3,107,691	2,738,792
Post-employment benefits	261,309	254,993
Termination benefits	240,824	515,281
Total Remuneration of Key Management Personnel	**3,609,824**	**3,509,066**

8.9.3 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 Company's Codes of Conduct and Standards. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

The Chair of the Group was appointed on 1 July 2015. The Chair's husband was the sole director and shareholder of KFBL Pty Ltd trading as Bendigo Coachlines. Bendigo Coachlines provides standby coach services on an as needs basis to V/Line, and has done so for a period in excess of ten years. The business was sold on 1 June 2016 and ceased to be a related party from that date.

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

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

8.10 Subsequent events

The financial statements were authorised for issue on 17 August 2017.

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.

8.11 Dividends

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

8.12 Australian Accounting Standards issued that are not yet effected

New accounting standards and interpretations have been published that are not mandatory for the reporting period ended 30 June 2017. The Department of Treasury and Finance (DTF) assesses the impact of all these new standards and advises entities of their applicability and early adoption where applicable. As at 30 June 2017, the following standards and interpretations had been issued but were not mandatory for the financial year ended 30 June 2017.

Standard/ interpretation	Summary	Applicable for the annual reporting periods beginning on	Impact on V/Line's financial statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	An assessment has indicated that there will be no significant impact. Additional disclosure for financial instruments will be required.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	The requirements for classifying and measuring financial liabilities were added to *AASB 9*. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI) • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2018	An assessment has indicated that there is no significant impact. Hedge accounting will be more closely aligned to risk management practices making it easier to have an effective hedge.
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of *AASB 9* to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 January 2018	An assessment has indicated that there is no significant impact, as this amending standard will defer the application period of *AASB 9* to the 2018-19 reporting period.

Standard/ interpretation	Summary	Applicable for the annual reporting periods beginning on	Impact on V/Line's financial statements
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of *AASB 9*.	1 January 2018	An assessment has indicated that there is no significant impact.
AASB 15 Revenue from Contracts with Customers	The core principle of *AASB 15* requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2018	The changes in revenue recognition requirements in *AASB 15* may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: • the entity's right to receive payment of the dividend is established • it is probable that the economic benefits associated with the dividend will flow to the entity • the amount can be measured reliably.	1 January 2017, except amendments to *AASB 9* (Dec 2009) and *AASB 9* (Dec 2010) apply. 1 January 2018	An assessment has indicated that there is no significant impact.
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	This standard defers the mandatory effective date of *AASB 15* from 1 January 2017 to 1 January 2018.	1 January 2018	This amending standard will defer the application period of *AASB 15* for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.

Standard/ interpretation	Summary	Applicable for the annual reporting periods beginning on	Impact on V/Line's financial statements
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	This standard amends *AASB 15* to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 January 2018	An assessment has indicated that there is no significant impact.
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	The standard amends *AASB 136 Impairment of Assets* to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 January 2017	An assessment has indicated that there is no significant impact.
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	Effective date of *AASB 15* for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	This amending standard will defer the application period of *AASB 15* for not-for-profit entities to the 2019-20 reporting period.

Standard/ interpretation	Summary	Applicable for the annual reporting periods beginning on	Impact on V/Line's financial statements
AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	This standard amends *AASB 9* and *AASB 15* to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: • require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with *AASB 9* as if those receivables are financial instruments • clarifies circumstances when a contract with a customer is within the scope of *AASB 15*.	1 January 2019	An assessment has indicated that there is no significant impact.
AASB 16 Leases	The key changes introduced by *AASB 16* include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 January 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors.
AASB 1058 Income of Not-for-Profit Entities	This standard replaces *AASB 1004 Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 January 2019	An assessment has indicated that there is no significant impact.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- *AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- *AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*
- *AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- *AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
- *AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle*

DISCLOSURE INDEX

The annual report of V/Line is prepared in accordance with all relevant Victorian legislations and pronouncements.

Legislation	Requirement	Page reference
Ministerial Directions and Financial Reporting Directions		
Report of operations		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	9
FRD 22H	Purpose, functions, powers and duties	9
FRD 22H	Key initiatives and projects	6-8, 16-28
FRD 22H	Nature and range of services provided	10
Management and structure		
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FRD 10A	Disclosure index	127-128
FRD 22H	Employment and conduct principles	46-50
FRD 22H	Occupational health and safety policy	39
FRD 22H	Summary of the financial results for the year	30
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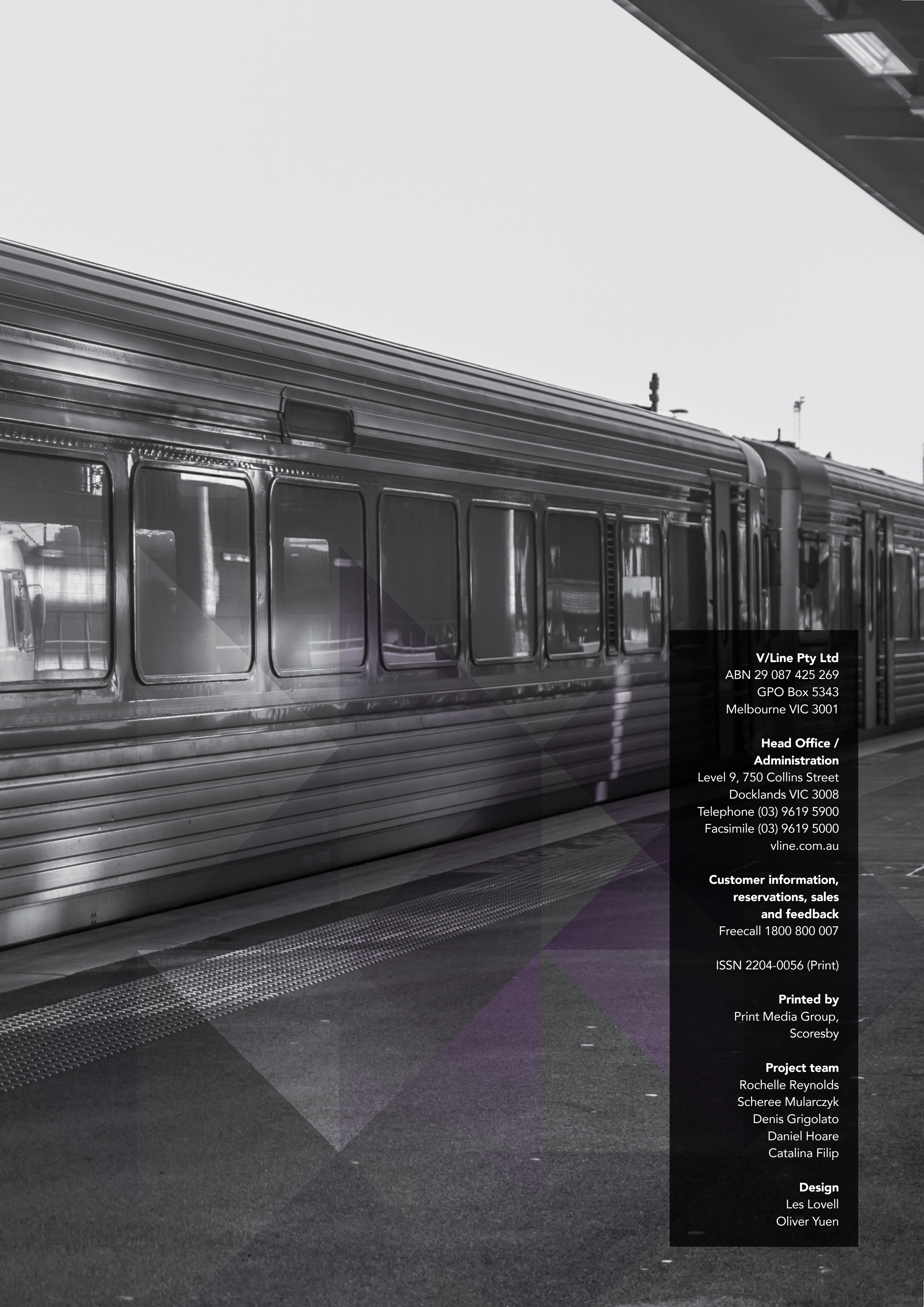

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