ANNUAL REPORT

2017 – 2018

V/Line

Table of Contents

Responsible Body's declaration

4 September 2018

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

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

Dear Ministers

In accordance with the *Financial Management Act 1994*, I am pleased to present the Annual Report of V/Line Corporation (and its subsidiary V/Line Pty Ltd) for the year ending 30 June 2018.

Yours faithfully

Jeroen Weimar
Chair

YEAR IN REVIEW

Section One

Purpose, Vision, Mission, Values

Purpose

To provide a connected and bright future for Victorians

Vision

A modern, high performing railway and coach service for all

Mission

Connecting Victoria by empowering our people to be their best

Values

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

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

Integrity
We are honest, ethical, and transparent

Respectful
We value others and accept their differences

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

Chair's Report

The 2017-18 financial year has been one of improved leadership and performance stability while V/Line continued to experience enormous patronage growth.

Under the stewardship of the previous Chair, Jennifer Dawson, the Board has overseen a strengthening in corporate governance processes, has fortified the financial rigour of the business and demanded executive accountability which has contributed considerably to improving the overall business confidence within V/Line.

On behalf of the Board of V/Line, I extend our gratitude to Jenny for her leadership.

It was also the first full financial year for our Chief Executive Officer, James Pinder, who has established clear business priorities including:

- improving performance
- focusing on modernisation and key projects
- empowering the people of V/Line.

The leadership team James has assembled has provided stability and focus for the business during 2017-18 which has translated into increased employee engagement. Significant steps have also been taken to modernise legacy operational systems and hold third-party maintenance providers to account for improved rolling stock reliability.

We are committed to providing V/Line with confidence for the future and have taken steps to ensure stability in its ownership structure. On 17 February 2018 all the employees, assets, liabilities, contracts and business operations were transferred from V/Line Pty Ltd to V/Line Corporation. This ensures the consolidation of V/Line's legal and corporate structure and secures the ongoing public ownership of V/Line's business.

The Regional Rail Revival investment by the Victorian and Commonwealth Governments is welcomed by the Board, but will see an even greater volume of works and disruption to passenger journeys over the coming years as these important upgrades are delivered.

With this increasing volume of improvement works being undertaken across the network, the Board has continued to focus on ensuring safety, service delivery and customer communication are at the forefront of business planning.

On behalf of the Board I would like to thank all the people across V/Line; our station staff, conductors and drivers, controllers and schedulers, service planners and administration teams, coach service planners and the engineers who work up and down our network. V/Line is able to provide regional rail and coach services to record numbers of passengers thanks to more than 1,900 dedicated and professional V/Line staff who work around the clock to run and improve our railway.

Jeroen Weimar
Chair

CEO's Report

The last financial year has seen a significant increase in momentum for V/Line as Victoria's regional rail network continues our evolution towards becoming a high frequency commuter railway.

Significant government investment is helping us deliver the upgrades we need to our infrastructure and rolling stock and my role as leader of this organisation is to continue the drive towards modernising our culture and workforce in order to adapt to this ever-changing environment.

There are great challenges for V/Line in the coming years, but with these challenges come opportunities.

We need to refine our approach to recruitment and training to ensure we give our people the right skills to fill future roles as we take delivery of more trains and run more services.

We need to modernise our legacy systems for service planning, timetabling, rostering and performance.

And all of this needs to happen in conjunction with improved punctuality and reliability during a period of unprecedented patronage growth.

The commencement of the $1.75 billion Regional Rail Revival project – which will deliver improvements across all of V/Line's rail corridors – is among the highlights of a busy 2017-18 year.

V/Line undertook significant work to prepare the Gippsland line for the running of its first VLocity train on 26 August and the August 2018 timetable which will see the life of the Avon River Bridge extended while works are undertaken to replace it.

Other highlights of the 2017-18 financial year include the re-opening of the Ararat to Maryborough freight line after 15 years as part of the Murray Basin Rail Project and the rollout of technology to improve mobile phone and data reception across the VLocity fleet.

V/Line delivered more than 20 million passenger journeys for the first time in 2017-18 and we put our 200th VLocity carriage into service as well as delivering 151 new train services per week.

I would like to extend a sincere thank you to the V/Line Board and Executive team and to all of our hardworking staff across Victoria. It is the people of V/Line who make this organisation such an important element of the social and economic fabric of regional Victoria.

In particular, I extend a personal thank you to Jenny Dawson, who finished her three-year term as Chair of the V/Line Board on 30 June 2018. It has been an absolute pleasure to work with and learn from Jenny. Her leadership during a challenging time has been critical to this organisation and she leaves a significant legacy.

I am pleased to welcome Jeroen Weimar as the new Chair of the V/Line Board. Jeroen's expertise will provide invaluable support to the V/Line management team and he will no doubt help us foster stronger ongoing relationships with Victoria's other key transport agencies.

James Pinder
Chief Executive Officer

Manner of Establishment and Responsible Ministers

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

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

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

This report provides a summary of our key activities and financial performance for the period 1 July 2017 to 30 June 2018.

Transport for Victoria

V/Line is part of Victoria's integrated transport portfolio, Transport for Victoria. Transport for Victoria leads a user-centred, outcomes focused and integrated approach that guides smart, long-term investments that support the state's connectivity, prosperity and liveability.

Transport for Victoria has a strategic approach to designing and managing the network and is building a modern transport system.

The integrated transport portfolio is working to enable an optimised network where transport modes work in harmony to move people and freight in the most effective and efficient way, with each mode being used when and where it is best suited.

V/Line Corporation and V/Line Pty Ltd

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

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

V/Line Corporation is the sole shareholder of V/Line Pty Ltd. In April 2017, Parliament passed the *Transport Integration Amendment (Head, Transport for Victoria and Other Governance Reforms) Act 2017* that included facilitative provisions to transfer the employees, assets, rights and liabilities, from V/Line Pty Ltd to V/Line Corporation. The transfer supported the Government's objective to strengthen the public ownership of V/Line for future generations of Victorians. The Minister for Public Transport approved the transfer in accordance with the relevant legislative requirements and the transfer successfully occurred on 17 February 2018. A liquidator will be appointed to undertake a member's voluntary liquidation of V/Line Pty Ltd in due course.

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

Nature and Range of Services Provided

V/Line's Role

V/Line is an operating agency as part of Transport for Victoria delivering services under a Partnership Agreement with Public Transport Victoria (PTV) (and other key contracts).

V/Line is:

- an operator of passenger rail and coach services
- a freight access provider
- a maintainer of railway infrastructure and rolling stock
- a project deliverer when engaged to do so.

About V/Line – Service Provided

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

Each week, V/Line schedules more than 1,980 train services between Melbourne and:

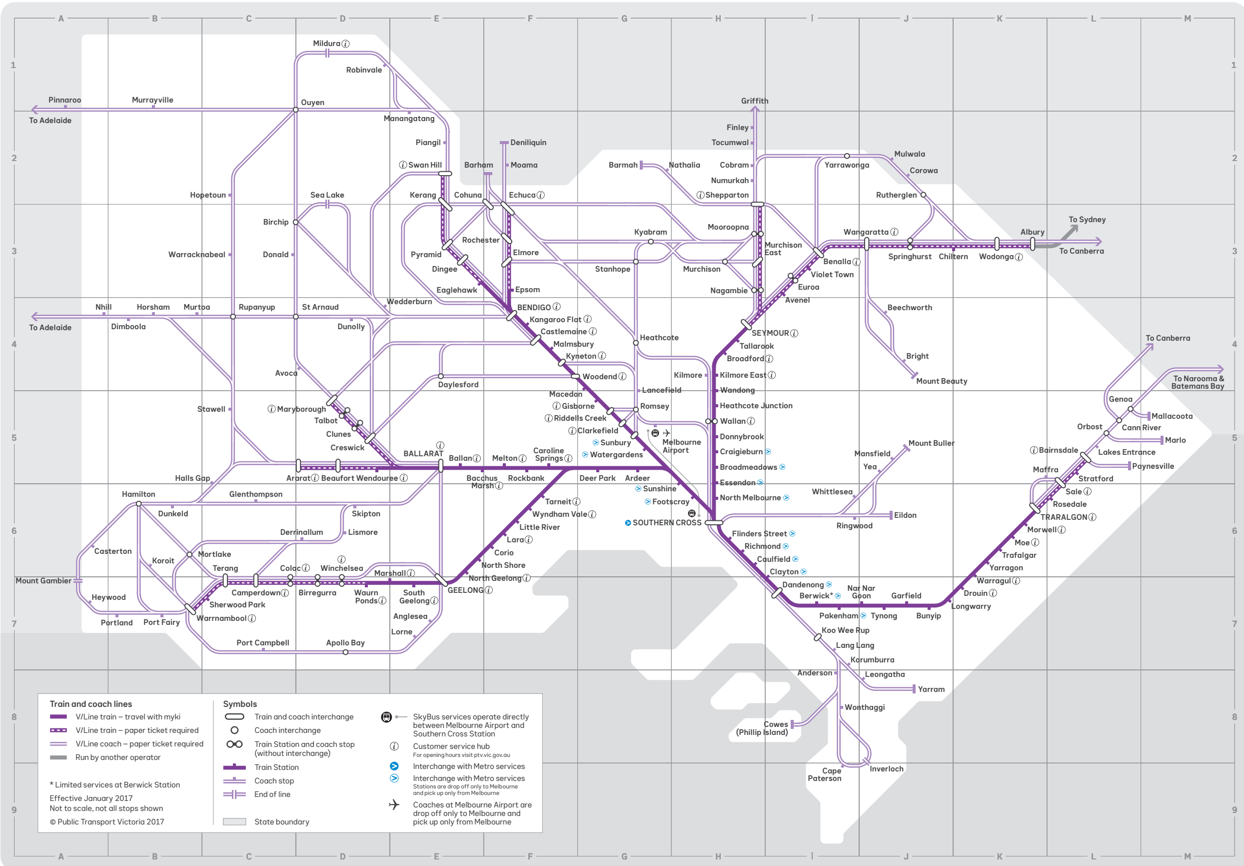
- Geelong and Warrnambool
- Ballarat, Maryborough and Ararat
- Bendigo, Swan Hill and Echuca
- Seymour, Shepparton and Albury
- Traralgon, Sale and Bairnsdale.

More than 1,360 V/Line-branded coach services connect with the rail network and serve regional Victorian communities. Some of our coach services also link Victoria with South Australia, New South Wales and the Australian Capital Territory. Private sector operators provide all V/Line-branded coach services under the management of V/Line.

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

V/Line is a major employer with a workforce of 1,964 including many who live and work in regional Victoria.

Passenger Network Map



Albury	K3
Anderson	I8
Anglesea	E7
Apollo Bay	D7
Ararat	D5
Ardeer	G5
Avenel	I3
Avoca	D4
Bacchus Marsh	E5
Bairnsdale	L5
Ballan	E5
Ballarat	E5
Barham	F2
Barmah	G2
Beaufort	D5
Beechworth	J4
Benalla	I3
Bendigo	F4
Berwick	I7
Birchip	C3
Birregurra	D7
Bright	J4
Broadford	H4
Broadmeadows	H5
Bunyip	J7
Camperdown	C7
Cann River	L5
Cape Paterson	I9
Caroline Springs	F5
Casterton	A6
Castlemaine	F4
Caulfield	H6
Chiltern	K3
Clarkefield	G5
Clayton	I6
Clunes	D5
Cobram	H2
Cohuna	E2
Colac	C6
Corio	F6
Corowa	J2
Cowes (Phillip Island)	I8
Craigieburn	H5
Creswick	D5
Dandenong	I7
Daylesford	E4
Deer Park	G5
Deniliquin	F2
Derrinallum	D6
Dimboola	B4
Dingee	E3
Donald	C3
Donnybrook	H5
Drouin	K7
Dunkeld	B6
Dunolly	D4
Eaglehawk	E3
Echuca	F2
Eildon	J6
Elmore	F3
Epsom	F3
Essendon	H5
Euroa	I3
Finley	H2
Flinders Street	H6
Footscray	H6
Garfield	J7
Geelong	E7
Genoa	L5
Gisborne	G5
Glenthompson	C6
Halls Gap	C5
Hamilton	B6
Heathcote	G4
Heathcote Junction	H5
Heywood	A7
Hopetoun	C2
Horsham	B4
Inverloch	J9
Kangaroo Flat	F4
Kerang	E2
Kilmore	H4
Kilmore East	H4
Koo Wee Rup	I7
Koroit	B6
Korumburra	I7
Kyabram	G3
Kyneton	F4
Lakes Entrance	L5
Lancefield	G4
Lang Lang	I7
Lara 4	F6
Leongatha	J8
Lismore	D6
Little River	F6
Longwarry	J7
Lorne	E7
Macedon	G4
Maffra	K5
Mallacoota	M5
Malmsbury	F4
Manangatang	E2
Mansfield	J5
Marlo	M5
Marshall	D6
Maryborough	D5
Melbourne Airport	G5
Melton	F5
Mildura	D1
Moama	F2
Moe	K6
Mooroopna	H3
Mortlake	B6
Morwell	K6
Mount Beauty	J4
Mount Buller	J5
Mount Gambier	A7
Mulwala	J2
Murchison	H3
Murchison East	H3
Murrayville	B1
Murtoa	B4
Nagambie	H3
Nar Nar Goon	J7
Nathalia	G2
Nhill	A4
North Geelong	E6
North Melbourne	H6
North Shore	E6
Numurkah	H2
Orbost	L5
Ouyen	D1
Pakenham	I7
Paynesville	L5
Piangil	E2
Pinnaroo	A1
Port Campbell	C7
Port Fairy	B7
Portland	B7
Pyramid	E3
Richmond	H6
Riddells Creek	G5
Ringwood	I6
Robinvale	D1
Rochester	F3
Rockbank	F5
Romsey	G5
Rosedale	L6
Rupanyup	C4
Rutherglen	J2
Sale	L6
Sea Lake	D2
Seymour	H4
Shepparton	H2
Sherwood Park	C7
Skipton	D6
South Geelong	E7
Southern Cross	H6
Springhurst	J3
St Arnaud	D4
Stanhope	G3
Stawell	C5
Stratford	L5
Sunbury	G5
Sunshine	H6
Swan Hill	E2
Talbot	D5
Tallarook	H4
Tarneit	F6
Terang	C7
Tocumwal	H2
Trafalgar	K6
Traralgon	K6
Tynong	J7
Violet Town	I3
Wallan	H5
Wandong	H4
Wangaratta	J3
Warracknabeal	C3
Warragul	K6
Warrnambool	B7
Watergardens	G5
Waurn Ponds	D7
Wedderburn	D4
Wendouree	D5
Whittlesea	I6
Winchelsea	D6
Wodonga	K3
Wonthaggi	J8
Woodend	G4
Wyndham Vale	F6
Yarragon	K6
Yarram	J8
Yarrawonga	I2
Yea	J5

Performance Overview

FACTS AND FIGURES	FY 17-18	FY 16-17
Total passenger trips (rail and coach)	20,838,396	19,300,326
Rail passenger trips	19,513,458	17,925,413
Coach passenger trips	1,324,938	1,374,913
Paper tickets sold	2,056,525*	2,007,311*
STATIONS		
Total number of stations	91	91
CUSTOMERS		
Overall customer satisfaction – trains	75.08	75.55†
Overall customer satisfaction – coaches	82.43	81.50†
Number of customer information enquiries	295,488	343,436
Number of feedback cases	17,754	15,713
Number of on-train consultation sessions with passengers	5	4
Compulsory compensation paid to passengers for V/Line not meeting on-time targets (complimentary ticket value)	$156,921	$84,435
Farebox revenue	$101.8 million	$96.4 million
Farebox (per cent breakdown)	62 per cent full fare	67 per cent full fare
	38 per cent concession	33 per cent concession
Subsidy per passenger	$23.93	$23.33
FINANCE		
Total income	$1.1 billion	$778.6 million
Total expenses	$1.1 billion	$777.6 million
Income tax benefits/(expenses)	$2.1 million	($1.4) million
Net result	$0.2 million	($0.4) million
EMPLOYEES		
Full-time staff	1,720	1,573
Total staff	1,964	1,776

* Does not include myki ticket sales.

† Figure differs from previous years. For comparison reasons, figure has been recalculated to reflect the methodology in V/Line's new Partnership Agreement.

FACTS AND FIGURES		FY 17-18	FY 16-17
FLEET			
VLocity carriages		225	198
Locomotives		31	41
Loco-hauled carriages		133	133
Sprinters (single unit)		21	21
SAFETY			
SIFR (Serious Injury Frequency Rate) = LTI (Lost Time Injury) and MTI (Medically Treated Injury) per million hours worked		27.9	38.9
SPAD (Signals Passed at Danger) per million km (Human Factors + Technical)		3.61	2.99
SPAD (Signals Passed at Danger) per million km (Human Factors only)		1.76	1.41
SERVICE DELIVERY			
Reliability overall (commuter and long-distance services, average monthly performance)		97.0	97.8
Reliability – commuter		96.9	97.8
Reliability – long-distance		97.4	97.8
Punctuality – commuter (on time to five minutes)		84.3	86.5
Punctuality – long-distance (on time to 10 minutes)		81.9	80.0
Number of services – commuter		80,976	75,550
Number of services – long-distance		14,176	12,887
Number of services that left on time from originating station		80,604	76,657
FREIGHT			
Total Gross Tonne Kilometres (GTK)		1,621,317	1,625,342
Total Freight Train Journeys		6,590	5,863
Freight Type (GTK '000)	Grain	840,881	802,289
	Container	718,703	749,799
	Other	61,733	73,254

Patronage

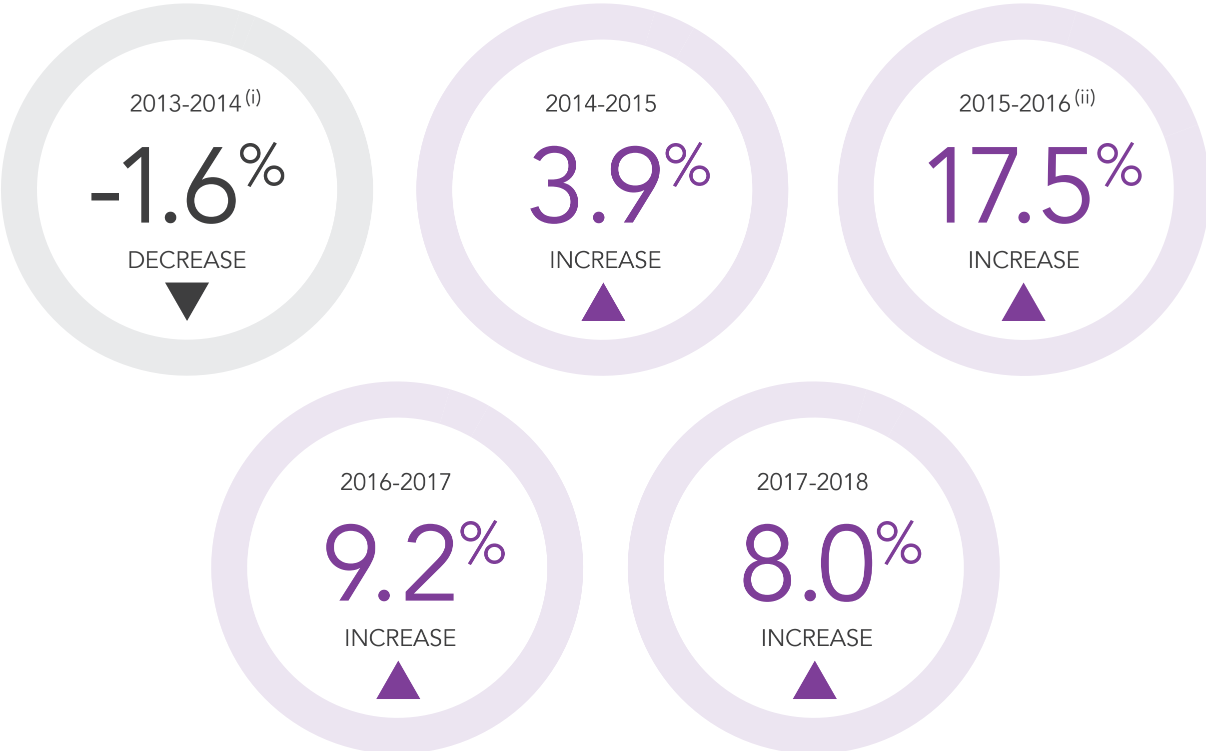
V/Line train passenger trips – percentage change 2013-14 to 2017-18

GEELONG	BENDIGO	BALLARAT	SEYMOUR	TRARALGON
▲ 115.8%	▲ 21.1%	▲ 46.7%	▲ 5.6%	▼ -9.9%

Rail patronage by line 2013-14 to 2017-18

Line	Year	Patronage
GEELONG	2013-2014	4.02 million
	2014-2015	4.24 million
	2015-2016	6.74 million
	2016-2017	7.62 million
	2017-2018	**8.67 million**
BENDIGO	2013-2014	2.35 million
	2014-2015	2.51 million
	2015-2016	2.50 million
	2016-2017	2.59 million
	2017-2018	**2.84 million**
BALLARAT	2013-2014	3.17 million
	2014-2015	3.36 million
	2015-2016	3.79 million
	2016-2017	4.33 million
	2017-2018	**4.65 million**
TRARALGON	2013-2014	2.00 million
	2014-2015	2.04 million
	2015-2016	1.76 million
	2016-2017	1.88 million
	2017-2018	**1.80 million**
SEYMOUR	2013-2014	1.46 million
	2014-2015	1.48 million
	2015-2016	1.49 million
	2016-2017	1.50 million
	2017-2018	**1.54 million**

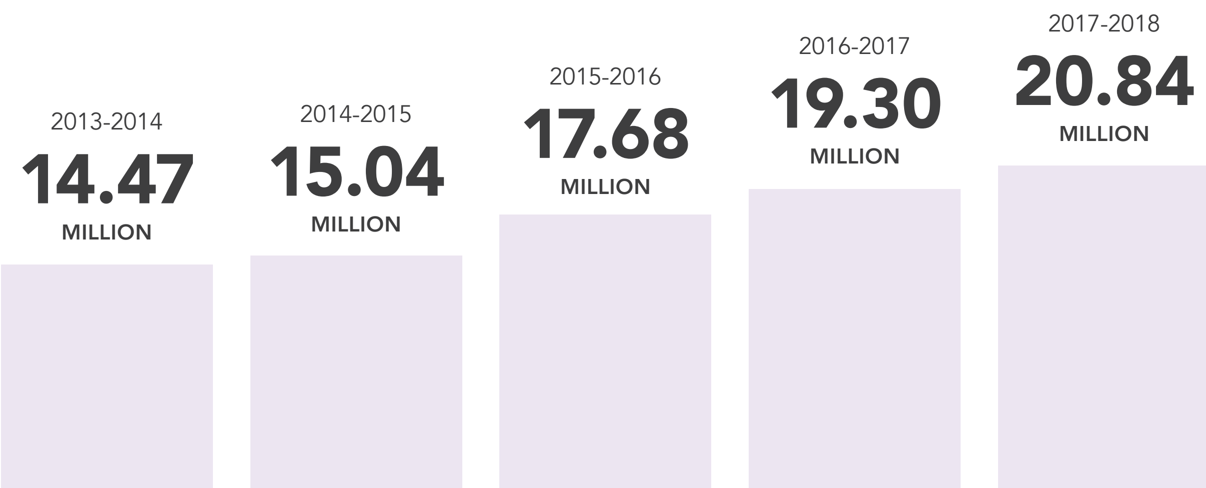
V/Line train and coach passenger trips over five years – percentage change



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

Service Delivery

Aside from safety, improving performance is V/Line's key priority. The Service Delivery team, from train drivers to network controllers, timetable planners and supporting functions have been continually challenged to improve the delivery and punctuality of our services.

In 2017-18, V/Line established a Performance Support team to develop short, medium and long term opportunities to improve punctuality and reliability with a view to sharpen our focus on lifting performance.

V/Line has developed specialised tools to assist in measuring performance and targeting new opportunities. A Performance Reporting and Visualisation Regime has been established with a Network Performance Visualisation Centre using a Business Intelligence Portal and Performance Dashboard to analyse daily, weekly and monthly performance.

In response to continuing increases in both patronage and services delivered, a number of new roles were introduced during 2017-18 with a restructure of V/Line's Integrated Operations Centre. A series of newly-established network management and train control positions will help improve the day-to-day functioning of the control centre. Communications improvements, disruption management and facilities and system upgrades are also ongoing.

A project is also underway to replace the current manual, paper-based train orders process with an electronic platform.

In anticipation of continued service increases, 70 new trainee drivers have been recruited and an additional 21 practical driver trainers (PDTs) appointed, significantly increasing V/Line's on-the-job training capabilities.

The Security and Resilience team relocated its Network Support Centre to Southern Cross Station in 2017-18 and Authorised Officers worked with Victoria Police to identify key hot spots for trespassing across the network and to educate communities about reducing risk-taking behaviour.

A targeted focus on anti-social behaviour in Eastern Victoria involved educational sessions at schools and attendance at community days to explain rail safety.

The first two V/Line incident response vehicles commenced operations on the network, allowing for better management of emergency incidents.

Freight Services

V/Line provides access to and maintains 3,520 kilometres of rail track used for passenger rail services and bulk freight rail services. V/Line provides a complete freight access service ensuring both scheduled and ad hoc freight access requests are accommodated and safely integrated with passenger rail services.

During the financial year ended 30 June 2018, the total number of freight train journeys across the V/Line network increased 12 per cent to 6,590. During this same period the total Gross Tonne Kilometres (GTK) recorded remained steady at 1,621 million.

Bulk grain transportation accounted for 840 million of total GTK which was up from 802 million in the previous year. Bulk container freight represented 718 million of total GTK down marginally from 749 million recorded in the 2016-17 financial year.

Customer

The Customer group, which includes station staff, train conductors and customer communications staff, made a significant contribution to helping maintain performance during periods of increased service disruption, much of which was due to the significant volume of rail and road improvement works being carried out across the state.

Overall customer satisfaction with train services was 75.08 down marginally from 75.55 for the previous year. For coach services, the customer satisfaction measure was 82.42 which improved from 81.50.

Train station customer service teams assisted with on-time train departures through announcements and by increasing visibility on platforms prior to departures.

In a bid to entrench passenger understanding of the importance of on-time train departures, the Whistle Blows, Train Goes campaign was launched to provide tips on how to safely and efficiently board a train.

V/Line has maintained its certification against the International Customer Service Standard (ICSS) for another year.

The total number of customer information enquiries reduced 14 per cent this year to 295,488 and the number of feedback cases managed by V/Line increased by 13 per cent to 17,754. Total compulsory compensation paid to passengers for V/Line not meeting performance targets was $156,921.

V/Line saw patronage of 20.8 million train and coach trips in 2017-18, an increase of 8 per cent on the previous financial year.

The one-millionth passenger was celebrated at Tarneit station on 29 June 2018. This station was opened in June 2015 as part of the 47.5km Regional Rail Link Project and is located in one of the fastest growing patronage corridors on the V/Line network.

The largest patronage increases were seen in the South West and North with increases of 13.6 per cent and 8.5 per cent respectively. Increases were also seen in the West (+7.0 per cent) and the North East (0.8 per cent). Only the Eastern corridor showed a decline (-3.6 per cent).

Rail trips are forecast to increase significantly across existing V/Line corridors in the next decade. Patronage on the Ballarat line will increase by over 40 per cent and similar increases are expected for the Northern and Eastern corridors.

Patronage growth will be even more significant in the South West, with rail trips forecast to increase by over 60 per cent. The North East corridors are expected to double in patronage over the next decade.

Asset Management

The Asset Management team is responsible for ensuring that all of V/Line's railway assets are maintained, accounted for, and put to their highest and best use. As well as focusing on performance improvement, the team is creating the foundation to achieve ISO55001 accreditation.

During the 2017-18 year, the Network Engineering team installed eight track-side lubricators, created new design standards across all assets, improved reliability with a point conditioning monitoring system and have made changes to V/Line's level crossing predictor control system.

There has been a continuous focus throughout the year on the removal of periodic Temporary Speed Restrictions related to the condition of rail. Predictive geometry techniques are now being used as part of a proactive track repair program, which has delivered highly successful outcomes in maintaining the track condition.

The Network Maintenance team's main highlight was the ongoing improvement in mud hole repairs to maintain line speed. Locations where mud holes had developed under Glued Insulated Rail Joints (GIRJs) were given special attention. As a result, only two joint breaks occurred in the lead-up to winter, considerably fewer than the 17 which occurred in 2016-17.

Recruitment commenced for 12 signal maintenance technician apprentices to join the Asset Management team. This was the largest recruitment program undertaken for many years for signal maintenance apprentices. Four of the apprentices will be based in regional Victoria.

A total of 27 new VLocity carriages were delivered into service during the year and the Fleet team improved the passenger experience with the rollout of the mobile repeater program which improved phone and internet connectivity on the VLocity train fleet. As at 30 June 2018, a total of 62 VLocity carriages have been upgraded with a further 13 to be completed before the end of December 2018. The team also upgraded the Classic Fleet with reliability improvements on the N-class locomotive HEP power systems and trialled enhanced N-set carriage heating and air-conditioning systems.

A Quality, Improvement, Compliance & Risk team was formed in 2018 to bolster Asset Management's capability and culture around risk management and compliance.

Strategy and Program

The Strategy and Program team provides advice internally as well as to the wider transport industry on the development of the regional rail network and future operations.

Advice is underpinned by analysis and modelling to understand short, medium and long-term impacts, development of strategies and plans to deliver operational outcomes, and coordinating budget funding submissions.

The team is also responsible for project development and delivery ranging from construction and infrastructure projects to timetable change programs and performance-focused initiatives. Some of the highlights from 2017-18 including delivering $199 million of infrastructure works on time and to budget and the development and early works for the Regional Rail Revival package.

In August 2017, Strategy and Program oversaw the development and implementation of a new timetable which added 151 new services to the timetable each week. The Geelong corridor received 74 extra services each week with the remaining services being added to timetables on the Ballarat, Ararat, Bendigo, Seymour, Shepparton and Traralgon lines.

As part of the $50 million Safer Country Crossings Program, a total of 23 vehicle level crossings on priority roads were upgraded during the financial year with 13 pedestrian crossings also upgraded. The upgrades have been undertaken at critical locations which accommodate high speed passenger trains or a number of heavy vehicles.

Construction timeframes for the $1.75 billion Regional Rail Revival were announced with the Ballarat line upgrade scheduled for completion in late 2019. V/Line has been supporting the early works packages on the Ballarat line and relocating critical services in preparation for major construction works.

All lines on the V/Line network will receive upgrades with the Warrnambool line to be completed by late 2020, Geelong and Bendigo upgrades complete by late 2021 and the Gippsland line upgrade to be completed by late 2022. The Avon River Bridge on the Gippsland line is expected to be replaced by late 2021. Strategy and Program have been key advisors to Rail Projects Victoria in preparation of project scopes for each line upgrade.

The $440 million Murray Basin Rail Project will deliver standardising and upgrading of 1,055 kilometres of rail track which services the freight industry in Victoria's north west.

The project is jointly funded by the Australian Federal Government and Victorian State Government and is essential to better connect key freight centres in north west Victoria with our ports and encourage competition and private investment in our rail freight network.

Stage Two of the Murray Basin Rail Project was largely completed during the year with the re-opening of the Ararat to Maryborough freight line after 15 years. Following completion of upgrade works on the Mildura line, the line was reopened with freight train returning to operating out of the Merbein intermodal terminal.

Business Services

The Business Services team further consolidated V/Line's cost efficiency drive across the business by providing dedicated business partners to each division and practising strong financial governance. This ensured rigorous budget management during a period of significant growth in services, patronage and project activity.

The Procurement team ensured the network of suppliers selected to support delivery of V/Line's business priorities were aligned to the Victorian Government's Purchasing Board guidelines. A key element for risk management of suppliers is the widespread and ongoing application of supplier panel arrangements across the business.

A spending analysis program has also helped the business to better understand the value delivered from procurement activities. It provides critical business intelligence to understand spending and costs, allowing business units to leverage better outcomes in price, reliability and choice of suppliers.

A technology modernisation program has also been established to further align investment with better governance across the organisation. A software development team has been formed to help drive modernisation.

Enterprise Governance and Risk

The Enterprise Governance and Risk team continues to support the business by providing advice across corporate strategy and planning, risk, assurance, legal and integrity issues.

In 2017-18, the Corporate Planning and Reporting team worked closely with Transport for Victoria (TfV) to support the TfV establishment objectives. This team also led discussion on a new five-year partnership agreement with PTV and renegotiated key agreements with Metro Trains Melbourne as part of the metropolitan re-franchising process.

The Legal team continues to support business areas by delivering advice across a broad range of subjects. The team has helped deliver initiatives to support improvement of front-line performance, including working with TfV to introduce incident response vehicles.

Risk, Audit and Assurance staff continued to strengthen V/Line's approach to risk. In the 2017-18 year, a revision of enterprise-wide risk management was undertaken to ensure that this area is effectively managed.

An integrity support service was launched which included internal training, induction education, an internal intranet page and an external and an internal "whistle-blower" phone line.

Community Partnerships

V/Line sponsors a range of partnerships and programs in regional Victoria, from youth sports and readiness-for-work programs to community volunteer programs for the beautification of regional railway stations. V/Line also provides support for regional arts initiatives such as the Castlemaine State Festival and helps to promote passenger accessibility through its ongoing support for Travellers Aid.

More than 500 young people from across regional Victoria participated in the V/Line Cup, which is an under-15 football partnership between AFL Victoria and V/Line. The V/Line Cup offers boys and girls from regional areas a stepping-stone towards a career pathway in AFL football with 22 V/Line Cup alumni being drafted in the AFL and AFLW leagues this year. The 2017 V/Line Cup generated $2.1 million in economic benefit to the Latrobe Valley region.

Through V/Line's partnership with Doxa Youth Foundation, over 2000 students from 73 disadvantaged and low socio-economic schools were supported with free travel to attend Doxa camps to provide them with leadership and life skills. V/Line has also supported nine young people from socially and financially disadvantaged backgrounds to undertake a cadetship through Doxa's program.

More than 300 young people from disadvantaged regional Victorian areas have participated in VCE / VCAL work-readiness mentoring sessions with V/Line leaders as part of the partnership with the Beacon Foundation.

The Stationeers Program is a partnership with Keep Victoria Beautiful. It supports community volunteering at 37 V/Line railway stations, which largely involves cleaning of facilities and maintenance of garden beds and nearby grounds.

V/Line is a long-term partner of Travellers Aid, which offers invaluable services at Southern Cross, Flinders Street and Seymour stations including buggy services as well as personal care and assistance to passengers in need of accessibility support.

Victorian Rail Network Map

MELBOURNE METRO AREA

LEGEND

- V/Line Passenger
- V/Line Freight
- V/Line operations over lines managed by others
- Suspended / managed by others
- Standard gauge
- Broad gauge
- Dual gauge

Performance Reporting – Financial

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

Five year financial summary	2018	2017	2016	2015	2014
Income from government	898,880	624,880	521,584	467,568	436,099
Total Income from transactions	1,069,907	778,628	675,142	618,774	577,479
Total expenses from transactions	1,075,631	780,757	700,727	621,061	587,138
Net result from transactions	(5,724)	(2,129)	(25,585)	(2,287)	(9,659)
Net cash flow from operating activities	81,762	3,397	11,270	27,266	374
Total assets	333,041	219,912	230,394	225,354	206,875
Total liabilities	265,465	157,478	164,448	137,435	126,245

Current year financial review

V/Line reported a $0.2 million profit after income tax for the year ended 30 June 2018 compared to a $0.4 million loss in 2016-17. The profit for the year was favourable against a budgeted loss after tax of $11.7 million.

The major contributing factors to the improvement against the budget were:

- lower fleet maintenance costs due to a re-negotiated wheel rate and a reprojection of whole of life maintenance costs
- reduced fuel costs due to the hedge strategy V/Line has in place, offset in part by higher bus replacements.

Total revenue increased by $291.3 million to $1.1 billion. The significant contributors to this increase include funding relating to the delivery of the Murray Basin Rail Project and additional operating subsidy to enable V/Line to manage increased weekday services which were introduced in August 2017.

V/Line's diesel fuel hedge strategy successfully mitigated the impact of increasing fuel prices by not applying additional cash flow pressures.

The net cash flow from operating activities was $81.8 million, compared with $3.4 million in 2016-17, with a net increase in cash of $60.7 million, the increase resulting from the advanced funding received for the Murray Basin Rail Project.

GOVERNANCE AND ORGANISATIONAL STRUCTURE

Section Two

Organisation structure and corporate governance arrangements

Leadership team as at 30 June 2018

V/LINE BOARD

Chief Executive Officer
James Pinder

CFO Business Services
Albert Giorgini
- Finance and Accounting
- Procurement
- Business Information Solutions (ICT)

EGM Enterprise Governance and Risk
Brendan Geary
- Legal Services
- Risk Assurance and Audit
- Integrity
- Information Security
- Corporate Planning, Contracts and Reporting
- Insurance

Company Secretary (Acting)
Rebecca Northeast
- Board Governance
- Secretariat to the Board
- Director/Board liaison

EGM People
Elaine Seckold
- Workplace Relations
- Learning and Capability
- People Services
- Talent and Recruitment
- Culture Change and Leadership

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

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

Chief Operating Officer
Carol-Anne Nelson

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

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

EGM Service Delivery
Paul D'Alessio
- Train Services
- Network Services
- Performance Support
- Strategic Bus Planning
- Security and Resilience

EGM Customer (Acting)
Jonathan McKeown
- Customer Experience
- Station Staff
- Conductors
- Catering
- Southern Cross Station
- Accessibility

Board role

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

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

Board composition

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

Board of Directors as at 30 June 2018

Jennifer Dawson – Chair

(1 July 2015 to 30 June 2018)

Jenny is a Chartered Accountant who has served for many years on Victorian and Federal government regional development committees. She served for 15 years as a Director of the ASX listed Bendigo and Adelaide Bank Ltd. Jenny currently Chairs Sandhurst Trustees Ltd and Adelaide Managed Funds (subsidiaries of Bendigo and Adelaide Bank Ltd) and the Bendigo Art Gallery Foundation. She is a Victorian State Council member of the Australian Institute of Company Directors. Jenny holds a Bachelor of Accounting degree. She is a Fellow of the Institute of Chartered Accountants.

Craig Cook – Deputy Chair

(Since 1 July 2015)

Craig has expertise in governance and risk management and in regional development issues. Craig has over 15 years of experience in both government and publicly-listed boards including the boards of Goulburn-Murray Water, Rural Finance Corporation, VicSuper, VicSuper Ecosystem Services and the Port of Hastings Development Authority. He holds a Bachelor of Economics degree.

Gabrielle Bell – Director

(Since 1 July 2015)

Gabrielle is a corporate lawyer with broad experience working in Australia and South-East Asia. She is an experienced non-executive Director and is currently serving on the boards of South East Water, VicSuper Pty Ltd and InLife Independent Living Ltd. She holds a Bachelor of Laws and Bachelor of Engineering (Chemical) and is a graduate of the Australian Institute of Company Directors.

Kay Macaulay – Director

(Since 1 July 2015)

Kay worked for the Australian Industry Group for 28 years in various roles including Regional Manager. Kay is a former member of the Central Highlands Area Consultative Committee, the University of Ballarat (Federation University) Council and Grampians Regional Development Australia Committee. She has been a member of Rotary International for 17 years.

John Donovan – Director

(Since 1 July 2015)

John is the Managing Director of AFM Investment Partners, a director of a public hospital and a responsible manager of an Australian Financial Services Licence. He is a former director of Gippsland Water and Adminpartners. He is a graduate of the Australian Institute of Company Directors, a Senior Fellow of Finsia, a Fellow of the Australian Institute of Management, a Certified Practicing Marketer and Fellow of the Australian Marketing Institute and an associate member of the Australasian Investor Relations Association. He holds a Master of Public Relations.

Rachel Thomson – Director

(Since 1 July 2017)

Rachel has more than 20 years' experience working in Australia and internationally in senior roles in risk management and insurance. Rachel is currently a Non-Executive Director of Central Highlands Water. She holds a Bachelor of Science degree from the University of Melbourne and is a graduate of the Australian Institute of Company Directors.

Independent Chair of Audit, Finance & Risk Committee

John Gibbins

(Since 1 November 2017)

John has over 30 years' experience as an audit and risk partner with KPMG and Deloitte. He is currently a consultant to MinterEllison and is a member of the audit committee for the Emergency Services Telecommunication Authority. John is a Fellow of the Institute of Company Directors and holds a Bachelor of Commerce degree.

Committee Membership and Roles

During the period 1 July 2017 to 30 June 2018, the Board committees of V/Line comprised the Audit, Finance and Risk Committee; the Human Resources and Governance 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 review and report independently on financial information published by V/Line; to review the effectiveness of V/Line's internal control environment; to determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors; to maintain effective communication with external auditors, to consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised; and to oversee the effective operation of the risk management framework.

Members from 1 July 2017 to 30 June 2018 were John Donovan, Jennifer Dawson and Rachel Thomson. John Donovan was Chair from 1 July 2017 to 31 October 2017. John Gibbins was appointed by the Board and has been the Independent Chair of the Committee from 1 November 2017 to 30 June 2018.

Number of meetings held during the year: Six

HR and Governance Committee

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

Members as at 30 June 2018 were Craig Cook (Chair), Kay Macaulay and Gabrielle Bell.

Number of meetings held during the year: Two

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 2018 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 2018 were: John Donovan (Chair), Craig Cook and Rachel Thomson.

Number of meetings held during the year: Two

Other Reporting

Access to information

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

Indemnification of officers

During the financial year, V/Line insured all directors and officers of V/Line and V/Line Pty Ltd against certain liabilities incurred by them in that capacity. In accordance with normal commercial practices, the terms of the insurance contract prohibit disclosure of details of the nature of the liabilities covered by the insurance contract and the amount of the premium paid under the contract. V/Line has entered into deeds of indemnity and access with each current and former director and company secretary. These deeds provide for indemnification against liabilities arising from the conduct of the business or from the discharge of directors' and officers' duties (other than liability relation to a wilful breach of duty or trust) and the maintenance of directors' and officers' insurance.

Ministerial directions

V/Line received no ministerial directions for the period ending 30 June 2018.

Board and committee meeting attendance

V/Line Corporation	Board Meetings		Special Purpose Meetings	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Jennifer Dawson, Chair	6	6	2	2
Craig Cook	6	5	2	2
Gabrielle Bell	6	5	2	2
Kay Macaulay	6	6	2	2
John Donovan	6	6	2	2
Rachel Thomson	6	6	2	2

V/Line Pty Ltd	Board Meetings		Special Purpose Meetings	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Jennifer Dawson, Chair	6	6	2	2
Craig Cook	6	5	2	2
Gabrielle Bell	6	5	2	2
Kay Macaulay	6	6	2	2
John Donovan	6	6	2	2
Rachel Thomson	6	6	2	2

Committees	HR and Governance		Audit, Finance and Risk	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Jennifer Dawson	N/A	N/A	6	6
Craig Cook	2	2	N/A	N/A
Gabrielle Bell	2	2	N/A	N/A
Kay Macaulay	2	2	N/A	N/A
John Donovan	N/A	N/A	6	6
Rachel Thomson	N/A	N/A	6	6
Independent Chair			Eligible to attend	Number attended
John Gibbins			3	3

Committees	Safety, Security, Health and Environment		Customer and Brand	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Jennifer Dawson	4	4	N/A	N/A
Craig Cook	N/A	N/A	2	2
Gabrielle Bell	4	4	N/A	N/A
Kay Macaulay	4	4	N/A	N/A
John Donovan	N/A	N/A	2	2
Rachel Thomson	N/A	N/A	1	1

Occupational Health and Safety

V/Line's Destination Zero strategy provides the framework, initiatives and risk-based guidance to manage V/Line's health, safety and environment (HSE) risks and improve V/Line's safety culture. This year V/Line continued the journey towards the Destination Zero aspirational target of zero rail and coach incidents, zero harm to people and zero damage to the environment.

HSE engagement and communication activities continue to evolve. Safety Alerts warn of immediate identified risks while the internal publication Lessons Learnt share learning from incidents, near misses, and investigations with the broader workforce. Other publications include Talking Health, Safety or Environment and Destination Zero Updates. These can be sent to all employees or targeted to specific departments to make sure the message is relevant and gets to the right audiences.

There is extensive governance and oversight of V/Line's HSE strategy through the Board's Safety, Security, Health and Environment Committee, a management led HSE Council, HSE senior leadership team Assurance Review Committee, OHS committee meetings and frontline safety toolbox talks and pre-starts.

Focused Destination Zero initiatives in the 2017-18 financial year included:

- risk simplification framework and processes
- enhanced, targeted HSE communications
- reinvigoration of post injury welfare management
- key risk initiatives such as enhanced hazardous tree and vegetation management plans and manual handling committees.

V/Line also has a coordinated SPAD (Signal Passed at Danger) reduction and management strategy for this high railway risk, which includes:

- utilising a newly developed SPAD risk ranking assessment tool to prioritise signals in terms of SPAD risk to enable a risk-based approach to safety improvement
- investigating innovative solutions (such as on-track warning lights) to increase driver awareness on approach to multi-SPAD signals
- SPAD risk awareness activities such as SPAD alerts and one-to-one supervisor briefings on SPAD causes and prevention
- conducting investigations into each SPAD to determine and address contributing factors, including formalised competency assessment plans for drivers involved in SPAD (and other) events
- research into the factors contributing to SPADs occurring during Empty Car and Shunt moves (which contribute to a disproportionately high number of SPAD events), and addressing the identified contributing factors
- continued rolling out of the Professional Driving Guide, which incorporates SPAD reduction strategies
- continued rolling out of Operational Awareness Training to drivers, which provides strategies to manage SPAD precursors (33% of our drivers have completed this training as at 30 June 2018).

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

- ongoing identification of trespass hot spots with targeted campaigns in collaboration with Victoria Police
- delivery of an educational program to schools in the Eastern region with attendance at community days to explain rail safety and associated risks.

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

V/Line's Safety Management System was also extensively reviewed by the rail regulator (ONRSR) and re-accredited as 'compliant' to the Rail Safety National Law, as part of the transfer of the accreditation from V/Line Pty Ltd to V/Line Corporation.

Incident management

The continuation of the Destination Zero program has resulted in improvements to incident numbers.

The key measure for significant staff injury, SIFR (Serious Injury Frequency Rate – incidents per million work hrs), reduced to 27.9, a 28.3 per cent reduction on the previous year (2016-17 = 38.9), and 7 per cent below the annual forecast of 30. The severity of injuries also reduced from the previous year with an average time off per injury at six days (down from eight).

Level crossing collisions reduced by over 50 per cent compared to the previous two years (three in 2017-18 and seven in each of the previous two years). An extensive program of upgrade works is now contributing to a reduction in collisions. However, ongoing vigilance and improvements will be required while level crossings remain.

The end of year SPAD frequency rate increased (from 2.99 to 3.61) with an increase in both Technical SPADs and Human Factors SPADs. The SPAD rate was inconsistent throughout the year with the highest monthly SPAD rate in four years occurring in September, and then a SPAD-free month in March (the first since June 2011). While the SPAD rate takes into account kms travelled, the frequency of services increased in 2017-18 increasing the exposure to signals and therefore SPADs. A SPAD Committee met regularly to review every SPAD to assess potential additional controls.

The 'Human Factors' SPAD rate increased to 1.8 incidents/million kms, up from 1.4 in 2016-17. Despite the increase, this rate continues to be one of the lowest in industry and is supported by additional engineering controls such as TPWS (V/Line's emergency brake system), that minimises the consequence of a SPAD should they occur. More and more locations are being fitted with TPWS using the risk ranking tool to prioritise.

There was an increase in reported trespasser incidents from 589 in 2016-2017 to 908 in 2017-2018. The increase is mainly attributed to improved reporting to assist with focused campaigns.

V/Line has continued to implement a risk and opportunity based Environmental Management System accredited to ISO 14001:2015. Energy consumption intensity continued to decrease at V/Line in 2017-18, falling to 0.839 MJ/passenger km. This is a 3.3 per cent decrease from the previous year's consumption of 0.868 MJ/passenger km, further strengthening the environmental benefits of 'rail over road'.

During the year V/Line successfully transitioned to the new Quality and Environmental management system standards ISO 9001/ISO 14001.

HSE Indicator Performance

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

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

Serious Injury Frequency Rate (SIFR)	2017-18	2016-17	2015-16
Measure	Actual	Actual	Actual
SIFR	27.9	38.9	30.9
SIFR Forecast	30	33	35
SIFR Variance	-2.1	5.9	-4.1
SIFR % Variance to Forecast	-7%	17.9%	-11.7%

Signals Passed at Danger (SPAD) (Human Factors + Technical)	2017-18	2016-17	2015-16
Measure	Actual	Actual	Actual
SPAD	3.61	2.99	3.7
SPAD Forecast	3.00	3.50	4.0
SPAD Variance	0.61	-0.51	-0.3
SPAD % Variance to Forecast	20.33%	-14.57%	-7.5%

Hazards and Incidents per 100 FTE

The total number of hazards/100FTE reported has marginally increased over 2017-18. This can be seen as positive as staff continue to use the system. Continued training and awareness has ensured that logged hazards are tracked, reported to all relevant stakeholders (including employee elected health and safety representatives), and closed out once rectified.

The total number of incidents/100FTE reported has marginally decreased when compared to the previous year. As with hazards, training and awareness has continued to ensure that all reportable incidents are recorded, and appropriate management and investigation completed as required.

The total number of WorkCover standard claims lodged over the last reportable year has increased, however the average cost per claim and average time off has decreased. This indicates both a decrease in the severity of incidents and an improvement in claims management.

Hazards Reported

Year	Per 100 FTE
2017-18	14.62
2016-17	14.45
2015-16	7.63

Incidents Reported

Year	Per 100 FTE
2017-18	437
2016-17	440
2015-16	485

WorkCover – Personal Injury Lost Time Claims	# time loss standard claims	Full-time equivalent (FTE)	Per 100 staff	Average cost per claim
2017-18	38	1915.5	1.98	$38,477
2016-17	30	1730.4	1.73	$42,490
2015-16	24	1610.7	1.49	$49,471

WORKFORCE DATA

Section Three

Our People

In order to adapt to changes in our industry, V/Line has embarked on a cultural journey with a belief that no business transformation can succeed without also incorporating a human transformation; the culture should clearly define who we are, what we stand for, how we behave and how we decide what is right. In August 2017, we launched our new purpose, vision, mission and values which support our desired culture. Our culture is guided by five values; accountable, be bold, integrity, respectful and be our best. These values underpin the work we do and guide us in our day-to-day activities.

To deliver our strategic objectives and enable our people to be the best they can be, we launched our people strategy 'Putting our People First.' It is based on three themes:

Recruit and retain the right people

Our achievement highlights include:

- **New employees**
  Over the past 12 months, 305 new employees commenced with V/Line in various roles including drivers, customer-facing staff and infrastructure employees.
- **Apprentices, cadets and graduates**
  We recruited 37 apprentices, cadets and graduates, providing an opportunity for our employees to mentor and share their technical skills and rail knowledge. These programs are an important source of early career pathing for a sustainable workforce.
- **Students**
  V/Line continues to support opportunities for students through the Level Crossing Removal Authority's (LXRA) Training for the Future initiatives.

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

Develop and engage our people

Our achievement highlights include:

- **Be Your Best**
  Launched new SharePoint site dedicated to being your best. This contains information and resources for staff to find out about V/Line's key priorities, shared values and how we are tracking as part of Towards 92, new initiatives and ideas, professional development and training opportunities, as well as recognising the dedication and service of our people.
- **Leadership capability**
  A crucial factor in retaining key talent and driving culture. We continue to focus our emerging leaders and through our partnership with RMIT with 17 graduating from our Management Development Program with a Cert IV in Leadership and Management over the past 12 months. V/Line is currently refreshing its leadership approach to focus on accountability, values, constructive style, and inclusivity as part of our culture shift.

We have continued to run a series of senior leadership forums where external guest speakers attended to share their experience on topics such as diversity and inclusion, leadership, and culture. The aim of these forums is to foster diversity in thought and position us as a learning organisation.

- **Supporting Engagement**
  In May 2018 V/Line invited employees to have their say on their experience of working at V/Line to identify opportunities and strengths through our 'Pulse' employee engagement survey (EES). The results showed our top line engagement score increased to 61 per cent – up from the 2016 survey by 3 per cent. This is encouraging as it shows positive growth in our engagement during a time of considerable change and provides a platform for our action plans to strengthen our culture and performance.
- **Enhancing our performance**
  Our performance review process has been enhanced to assist our leadership teams deliver our vision. We incorporated an assessment on how we demonstrate our values as well as measure achievements. We encourage regular coaching conversations to identity development plans and career aspirations. We are on track to have this process automated for the 2018-19 review process.
- **Positive Mental Health**
  We continue to provide our people with resilience training skills to support their teams, colleagues or friends who are facing trauma. To address psychological injuries, V/Line continues to deliver 'Coping with Trauma' training to all drivers and other at-risk employees. This is designed to help our people feel more prepared should they be exposed to a stressful incident. We also run a 'Supporting our people to cope with Trauma' program for people leaders.
- **Our People Capabilities**
  Our people capabilities are the skills that support our people in their development, to help them to be the best they can be. Formal training and professional development programs supplement on-the-job development opportunities. Training is undertaken in technical, management and leadership skills, such as conversations for change, compliance training, including professional standards and governance, unconscious bias, appropriate workplace behaviour, and Living our Values. Track Principles Workshops take place and include practical and theoretical activities designed to address fundamental rail knowledge for those working in the industry. Seven employees graduated our Track Inspector Program.
- **Diversity awareness**
  V/Line raised employees' awareness and involvement in diversity by supporting participation in hosting events including:
  - Biggest Morning Tea
  - RUOK? Day
  - Harmony Day morning tea.

- **Staff recognition**
  V/Line recognises the achievements of staff who have gone above and beyond in their roles through monthly CEO Morning Teas (9 held to-date). Service Recognition events include:
  - 193 employees recognised for 10, 15, and 20 years' service
  - 201 employees recognised for 25, 30, 40 and 50 years' service.
- **Registered Training Organisation (RTO)**
  Successfully transitioned from V/Line Pty Ltd to V/Line Corporation, which included a two-year funding contract. The RTO is growing and has seen a 30 per cent increase in the number of classes delivered for several qualifications.

Create an environment that is diverse, inclusive and supportive

V/Line is committed to creating a workplace that reflects the communities it serves and creating a workplace that accepts and values the contributions of all employees, free from discrimination, harassment and bullying.
In December, we launched our Equality, Inclusion and Respect Strategy 2018–2020. Over the past six months, measures have been set and many initiatives have commenced on this journey including Inclusive Workplace seminars and the continuation of our Appropriate Workplace Behaviour workshops. With the establishment of our Culture Council, implementation of activities and practices that support the V/Line Equality, Inclusion and Respect Plan are underway, contributing to an inclusive and flexible workplace environment for all employees.

Employment and conduct principles

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

Industrial Relations

No time has been lost through industrial action and disputes.

Comparative workforce data

The following table discloses the head count and full-time staff equivalent (FTE) of all active employees of V/Line, employed in the last full pay period in June 2018 against the last full pay period in June 2017.

June 2018	All employees		Ongoing			Fixed Term and Casual	
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Gender							
Men	1598	1565	1429	67	1466.50	102	99.10
Women	366	349	282	48	315.10	36	34.80
Age							
15-24	39	38.70	33	1	33.70	5	5
25-34	376	373	339	10	346.30	27	27
35-44	431	423.90	371	17	382.70	43	42.10
45-54	498	490.70	435	21	449.30	42	41.40
55-64	502	479.60	438	49	465.70	15	14.20
65+	118	108.10	95	17	103.90	6	4.20
Classification							
Executive	12	12	0	0	0	12	12
Station Staff	311	300.60	261	32	282.90	18	17.70
Conductors	291	288.70	276	6	280	9	8.70
Train Drivers	400	378.60	356	43	378.10	1	.50
Authorised Officers	9	9	9	0	9	0	0
Strategy & Program	124	123.10	95	3	97.10	26	26
Infrastructure Maintenance	158	157.70	145	1	145.70	12	12
Signal & Comms	93	92.40	90	0	90	3	2.40
Train Controllers	57	57	57	0	57	0	0
Network Services	165	164.10	161	0	161	4	3.10
Other Staff	344	332	270	30	289.80	44	42.20
Total employees	**1964**	**1915.50**	**1720**	**115**	**1790.90**	**129**	**124.60**

June 2017

	All employees		Ongoing			Fixed Term and Casual	
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE
Gender							
Men	1464	1434.1	1332	61	1365.5	71	68.6
Women	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 & 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
Total employees	**1776**	**1730.4**	**1573**	**104**	**1636.2**	**99**	**94.2**

Workforce inclusion policy

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

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

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

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

The following table outlines V/Line's actual progress against this target in 2017-18.

Workforce inclusion policy initiative	Target	Actual progress in 2017-18	Actual progress in 2016-17
	Executive Officers:	Executive Officers:	Executive Officers:
Gender profile at executive levels[1]	50 per cent women; 50 per cent men by 2020	19 per cent women; 81 per cent men	Comparable data is not available for 2016-17

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

Executive officer data

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

Total number of EOs for V/Line, broken down into gender	All		Women		Men		Self-described	
	No.	Var.	No.	Var.	No.	Var.	No.	Var.
Executive Leadership Team	12	0	3	0	9	0	0	0
Senior Leadership Team	35	*	10	*	25	*	*	*
Broader Leadership Team	32	*	2	*	30	*	*	*

* Comparable data is not available for 2016-17.

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

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

Income band (salary)	GSERP contract staff	Non – GSERP contract staff
< $160 000	5	123(b)
$160 000 – $179 999	18	15 (b)
$180 000 – $199 999	22	8
$200 000 – $219 999	13(a)	1
$220 000 – $239 999	8(a)	1
$240 000 – $259 999	2	0
$260 000 – $279 999	2	0
$280 000 – $299 999	4	0
$300 000 – $319 999	2	0
$320 000 – $339 999	1	0
$340 000 – $359 999	0	0
$360 000 – $379 999	0	0
$380 000 – $399 999	1	0
$400 000 – $419 999	0	0
$420 000 – $439 999	0	0
$440 000 – $459 999	1	0
$460 000 – $479 999	0	0
$480 000 – $499 999	0	0
Total	**79**	**148**

Notes

The salaries reported above are for the full financial year, at a 1-FTE rate, and includes superannuation
(a) There are 2 employees employed on a part-time basis at 0.70 FTE rate respectively.
(b) There are 9 employees employed on a part-time basis at 0.70 FTE rate respectively.

OTHER DISCLOSURES

Section Four

Local Jobs First – 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 Local Jobs First – Victorian Industry Participation Policy (VIPP). Departments and public-sector bodies are required to apply Local Jobs First – 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 2017-18, V/Line commenced eleven Local Jobs First – VIPP applicable procurements totalling $97 million. Of those projects, three were located in regional Victoria, two in metropolitan Melbourne and six state-wide. While all the applicable procurements underwent a VIPP Contestability Assessment, two required a VIPP Plan.

During 2017-18, V/Line did not complete any Local Jobs First – VIPP applicable projects.

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 zero existing apprenticeships retained.

During 2017-18, zero small to medium sized or large businesses prepared a VIPP Plan for contracts.

During 2017-18, all projects, which commenced on or after 1 September, had 100 per cent local content as the projects were local by nature.

Government advertising expenditure

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

Consultancy expenditure

Details of consultancies valued at $10,000 or greater

In 2017-18, there were 42 consultancies where the total fees payable to the consultants were $10,000 or greater. Total expenditure incurred in 2017-18 in relation to these consultancies was $18,148,000 (excluding GST). Details of individual consultancies are set out in the following tables.

Details of consultancies under $10,000

In 2017-18, there were 41 consultancies engaged during the year where the total fees payable to the consultants were less than $10,000. The total expenditure incurred in 2017-18 in relation to these consultancies was $117,000 (excluding GST). A full list of V/Line contractors and consultants engaged in 2017-18 are set out in the following tables.

Consultancies 2017-18 – Details of Consultants over $10,000

Non-Project Related Consultants	Purpose of Consultancy	Total approved project fee (excl. GST) $'000	Expenditure 2017-18 (excl. GST) $'000	Future expenditure (excl. GST) $'000
Deakin University	Operational and technology improvement services designed for training and cultural change	671	648	23
Maddocks Pty Ltd	Legal Services including transfer of V/Line Pty Ltd to V/Line Corporation (VLC Project)	648	633	15
RSM Australia Pty Ltd	Internal audit & risk management services	419	392	28
Corsair Consulting Group Pty Ltd	Financial advisory and management services	393	393	–
Ernst & Young	Financial due diligence and taxation services	274	274	–
DLA Piper Australia	Legal Services	274	206	68
Barrington Centre Pty Ltd	Employee assistance program and training	222	222	–
Ringgo Solutions Pty Ltd	Financial modelling services	168	140	28
Monash University	Track Measurement & Assessment Engineering services	115	115	–
C.C Kelly & J Yang	Forensic Investigation and Efficiency services	71	71	–
Dale D'Rozario	Fatigue Management framework	65	65	–
Mercer Consulting (Australia) Pty Ltd	HR remuneration review	63	63	–
Corrs Chambers Westgarth	Legal Services	59	59	–
Fatigue Management and Sleep Solutions Australia	Fatigue risk management review	50	44	6
Votar Partners Pty Ltd	Records Management	43	39	4
Lloyds Register Quality Assurance Ltd	ISO audit services	42	34	8
List A Barristers	Legal Services	22	22	–
Dedale Asia Pacific Pty Ltd	Professional safety services on CCTV camera trial project	20	20	–
Hall & Wilcox	Legal Services	14	14	–
Human Synergistics Australia Pty Ltd	Frontline Leadership Program	13	13	–
Kathleen Townsend Executive Solutions	Professional services on transfer of business operations from V/Line Pty Ltd to V/Line Corporation	12	12	–
Greens List Barristers	Legal Services	11	11	–
A.J. Dever Pty Ltd	Legal Services	11	11	–
Office of the National Rail Safety Regulator	Rail Safety Regulator services for VLC Project	10	10	–
Total		**3,690**	**3,511**	**179**
Below $10K		117	117	Nil

Consultancies 2017-18 – Details of Consultants over $10,000

Project Related Consultants	Purpose of Consultancy	Total approved project fee (excl. GST) $'000	Expenditure 2017-18 (excl. GST) $'000	Future expenditure (excl. GST) $'000
Interface Rail Engineering Pty Ltd	Engineering Services for Murray Basin Rail Project, Avon River Bridge and Regional Rail Revival	5,325	4,578	748
Rail Control Systems Australia Pty Ltd	Engineering and Design Services for Level Crossing upgrade	4,668	4,585	83
Boleh Consulting Pty Ltd and (Australia) Pty Ltd	Engineering Services for Murray Basin Rail Project, Avon River Bridge and Regional Rail Revival	1,212	1,133	79
RPS Manidis Roberts Pty Ltd	Consultancy and communication support for Murray Basin Rail Project	940	691	249
GHD Pty Ltd	Engineering Services for Murray Basin Rail Project and Merebin Railway cutting	803	637	166
Kinsley Group Pty Ltd	Concept Design, Survey & Geotech Investigation and Design Services	830	529	301
Advisian Pty Ltd	Consultancy services for Operational readiness	625	470	156
Hatch Nuttall Engineering Pty Ltd	Engineering Services for bridge investigations	570	535	35
Sterling Group Consultants Pty Ltd	Infrastructure Inspection, Survey and Design services	448	429	20
Fanjord Solutions	ICT advisory and project management	398	398	–
Opus International Consultants Pty Ltd (Australia)	Signalling box design and engineering services	280	204	76
ONTOIT Global Pty Ltd	Project Advisory Services	288	18	270
SMEC Australia Pty Limited	Investigative services for Geelong Tunnel and North Melbourne Flyover	228	136	92
Aecom Australia Pty Ltd	Data analysis and documentation for Ballarat Line Upgrade project	148	33	115
Golder Associates Pty Ltd	Geotechnical construction support services	101	101	–
Turner & Townsend Pty Ltd	ISO services for Murray Basin Rail Project	81	81	–
Agonis Group Pty Ltd	Condition assessment and specification documentation	38	38	–
Ecology and Heritage Partners Pty Ltd	Environmental & Biodiversity consultancy services	32	23	8
DLA Piper Australia	Legal services	18	18	–
Total		**17,034**	**14,637**	**2,397**
Below $10K		Nil	Nil	Nil

Information and communication technology expenditure

For the 2017-18 reporting period, V/Line had a total ICT expenditure of $12,395,534, with the details shown below.

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
Business As Usual (BAU) ICT expenditure	Business as usual ICT expenditure	Operational expenditure	Capital expenditure
$’000	$’000	$’000	$’000
11,273	1,123	163	960

Freedom of information

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

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

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

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

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

Making a request

FOI requests can be lodged online at **www.foi.vic.gov.au**. An application fee of $28.90 currently applies. Access charges may also be payable if the document pool is large, and the search for material is unreasonably time consuming.

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

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

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

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

FOI statistics/timeliness

During 2017-18, V/Line received 12 applications. Of these requests, two were from Members of Parliament and the remainder from the general public.

V/Line made 12 FOI decisions during the 12 months ended 30 June 2018 and all decisions were made within the statutory 30 day time period.

The average time taken to finalise requests in 2017-18 was 25 days.

Two requests were subject to a complaint/internal review by OVIC.

Further information

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

Compliance with the *Building Act 1993*

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

Competitive Neutrality Policy

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

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

V/Line continues to comply with the requirements of the Competitive Neutrality Policy.

Compliance with the *Protected Disclosure Act 2012*

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

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

V/Line is committed to the aims and objectives of the Act. V/Line has procedures in place for protecting people against detrimental action that might be taken against them in reprisal for the making of protected disclosures. Our procedure can be found at **vline.com.au**.

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

Independent Broad-based Anti-Corruption Commission (IBAC)

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

Phone: **1300 735 135**

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

Compliance with the *Disability Act 2006*

The Disability Act 2006 requires V/Line to prepare a disability action plan and report on its implementation in our annual report. V/Line's 2015-2018 Accessibility Action Plan (the Plan) is a three-year plan that sets out our commitment to providing an inclusive and accessible service to all Victorians.

V/Line's Plan is aligned with the *Absolutely everyone: state disability plan for 2017-2020*, which is the Victorian Government's Framework for enabling people with a disability to participate and contribute to the social economic and civic life of their community.

This year our progress against the Plan has included the following achievements:

- working with V/Line's Customer Accessibility Reference Group, we made a number of improvements, including:
  - a new design for the accessible areas in Sprinter cars
  - installation of a grab rail in the buffet car to increase stability for all passengers
  - additional Boarding Assistance Zones at Footscray, Sunshine and Broadmeadows stations
  - trial of veloSTRAIL flange gap technology to support safer access at the pedestrian crossing at North Shore Road
- the fifth Community Accessibility Forum was held with customers, advocates and industry partners. This forum discussed improvements across the whole customer journey for customers with accessibility needs, which will inform the development of V/Line's next Accessibility Action Plan
- a quarterly accessibility update newsletter was produced V/Line customers and stakeholders
- a new, dedicated Accessibility Adviser commenced working with V/Line
- V/Line maintained certification under the Communication Access Symbol and began embedding ongoing learning and improvements
- regular consultation was completed with key external stakeholders on upcoming projects
- V/Line participated in state and national accessibility committees.

As the current Plan comes to an end, we are proud of the achievements that have occurred over the past three years. V/Line has commenced the process of developing our next accessibility action plan that will guide us into the future to continue to improve the experience for our customers.

Compliance with *Transport Integration Act 2010*

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

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

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

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

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

Key Performance Indicators include: Customer Satisfaction, Stakeholder Perception, Serious Injury Frequency Rate (SIFR), Signals Passed at Danger (SPADs), 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 Public Transport Victoria (PTV).

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

Office based environmental impacts

Building Energy Use

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

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

Building Energy Use	2017-18	2016-17	2015-16
Energy Use segmented by primary source (MJ)			
Electricity	53,806,281	54,716,044	58,501,021
Natural Gas (ref *)	0	1,092,167	1,460,755
TOTAL	**53,806,281**	**55,808,211**	**59,961,776**
Energy Intensity (MJ / passenger kilometre)	0.0262	0.0293	0.0328

GHG	2017-18	2016-17	2015-16
Greenhouse Gas Emissions from energy consumption (tonnes CO2-e)			
Electricity	16,291	16,567	17,713
Natural Gas (ref *)	0	56	75
TOTAL	**16,291**	**16,623**	**17,788**
Units of building energy used per FTE (MJ/FTE)	28089.94	32384.50	37227.15

Actions undertaken

V/Line is currently assessing options for including renewable electricity in the energy profile and undertook an assessment of the solar capacity of the network in 2017-18. V/Line also upgraded lighting at a number of locations from metal halide or fluorescent systems to LED, as existing systems ended their lifespan.

Targets

V/Line sets targets for total energy intensity, not building energy consumption. The target for 2017-18 was for energy intensity to be at or below a 2015-16 baseline. When energy reductions due to wheel wear issues in 2015-16 were factored into calculations, energy consumption decreased by 3.8 per cent on 2015-16 intensity levels.

Explanatory notes

- Electricity data is sourced directly from government energy suppliers. This data did not include 2017-18 natural gas consumption, which is currently unavailable. Natural gas represents only a minor proportion of building energy consumption (ref *).
- Historical figures for energy consumption have been adjusted from previously reported figures due to improved data accuracy. Disruption due to VLocity wheel wear issues significantly reduced train fuel consumption in the latter half of 2015-16.
- V/Line purchases electricity as part of a government contract, which does not include Green Power.

Waste and recycling

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

Waste and Recycling	2017-18	2016-17
Waste disposed of by destination (kg)		
Landfill	430,903	428,677
Commingled recycling	9,315	12,072
Paper and cardboard	12,345	10,955
Other recovered materials	49,734	0
TOTAL	**502,297**	**451,704**

Waste disposed of per FTE by destination (kg/FTE)		
Landfill	224.96	248.75
Commingled recycling	4.86	7.01
Paper and cardboard	6.44	6.36
Other recovered materials	37.27	17.36
TOTAL	**274**	**279**
Emissions associated with waste disposal (tonnes CO2-e)	368	394

Actions undertaken

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

- a rollout of waste minimisation communications was delivered in Autumn 2017
- staff members are encouraged to reduce the amount of waste produced and use correct recycling practices
- implementation of a four-stream recycling system at head office, including general waste, paper and cardboard recycling, green waste recycling, and general recycling
- 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.

Targets

V/Line's waste management targets have primarily focused on paper reduction, however with the new waste data system in place, 2018-19 will include broader waste management targets.

Explanatory notes

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

Paper Use

V/Line works continually to reduce paper consumption. To improve data accuracy, V/Line has collected and reported on paper consumption data monitored by printers, rather than from purchasing information, since 2014-15. The table below includes all data for printers on V/Line's centralised printing system.

Paper Consumption	2017-18	2016-17	2015-16
Total units of A4 equivalent copy paper used (reams)	9,008	9,220	9,250
Reams of A4 equivalent copy paper used per FTE (reams/FTE)	4.70	5.35	5.74

Actions undertaken

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

- paper reduction was included in the Autumn 2018 waste communications campaign
- paper purchased by V/Line offices is 100 per cent recycled where possible
- a printer monitoring system has been implemented, to allow more accurate consumption data management
- a swipe card system has been implemented, which reduces unnecessary printing
- information regarding paper reduction is included in sustainability communications.

Targets

V/Line's paper reduction target for 2017-18 was to maintain paper usage per FTE at or below a 2016-17 baseline. V/Line's paper consumption per FTE for 2017-18 decreased by over 12 per cent, comfortably achieving this target.

Explanatory notes

- Paper data is now reported using a printer-based consumption data system maintained by the printer service provider. This has increased data accuracy, however does not have capability to provide the percentage of recycled paper used.
- 100 per cent recycled paper is ordered as a standard across the business, with coloured or paper with non-recycled content ordered as the exception.

Water consumption

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 covers all V/Line sites.

Available water data has been used to extrapolate annual consumption for 2017-18.

Water Consumption	2017-18	2016-17	2015-16
Total water consumption (kL)	117,945	121,207	92,964
Units of water used per FTE (kL / FTE)	61.6	70.3	57.7
Water consumption per passenger kilometre (L / pass km)	0.0576	0.0637	0.0509

Actions undertaken

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

Targets

V/Line sets targets for total water consumption across the whole network, not specifically energy consumption in buildings. The target for 2017-18 was for water consumption per passenger kilometre to be at or below a 2015-16 baseline. While water consumption has increased since 2015-16 due to an increase in services and projects, it has decreased since the previous financial year.

Explanatory notes

V/Line obtains water data from billing information received from thirteen water companies. There is a significant lag between when this data is received, and accuracy increases following the end of the financial year. V/Line is currently exploring options for streamlining this process to increase data accuracy.

Travel and transport

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

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

Travel and Transport	2017-18	2016-17	2015-16
Energy consumption by fleet vehicles (MJ)			
Diesel	53,578,435	61,549,002	52,162,044
Unleaded	809,629	877,435	835,317
Total	**54,388,064**	**62,426,436**	**52,997,361**
Greenhouse gas emissions from fleet vehicles (tonnes CO2-e)			
Diesel	3,777	4,339	3,677
Unleaded	56	61	58
Total	**3,834**	**4,400**	**3,736**
Energy use per FTE (MJ / FTE)	28,394	36,225	32,903

Actions undertaken

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

Targets

V/Line sets targets for total energy intensity, not specifically energy consumption from transport. The target for 2017-18 was for energy intensity to be at or below a 2015-16 baseline.

Explanatory notes

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

V/Line does not keep data on:

- staff modes of travel between work and home
- staff air travel and associated emissions.

Specific sub categories of fuel, meaning emissions are likely to be marginally lower.

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 2017-18 we continued to implement environmental improvements, with significant reductions in energy intensity and waste production across the business.

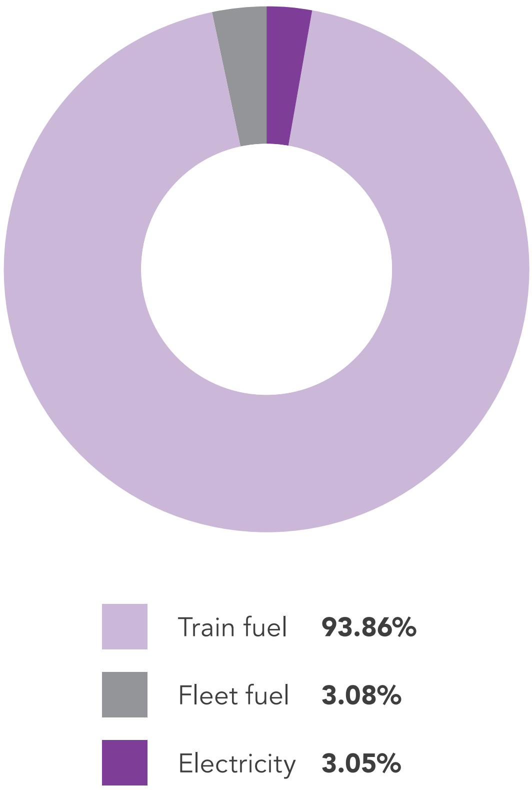
V/Line maintains an ISO 14001:2015 accredited Environmental Management System that guides sustainability performance and reduces environmental impacts. An independent certified environmental systems auditor audits this system annually. V/Line's Sustainability Action Plan (SAP) is the key strategic implementation mechanism for the delivery of environmental improvements, and in 2017-18 set targets, objectives, forecasts and initiatives in relation to six key environmental focus areas:

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

Guided by Financial Reporting Direction 24D issued by the Department of Treasury and Finance, V/Line monitors and records its consumption of energy, water, and paper, as well as its output of waste and greenhouse gas emissions. Due to the nature of V/Line operations, these metrics are reported for the business, rather than specifically office-based impacts. The results for 2017-18 are detailed below.

Greenhouse gas emissions

The running of trains is the primary source of energy consumption at V/Line, with fuel use accounting for over 1.6 billion megajoules, or approximately 94 per cent of our energy consumption. Other sources of energy consumption are the vehicle fleet and the use of electricity at V/Line sites. Electricity is used for internal and external lighting, heating, air-conditioning as well as office and plant equipment.



Additional information available on request

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

(a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers

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

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

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

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

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

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

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

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

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

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

(l) details of all consultancies and contractors including:

  i. consultants/contractors engaged

  ii. services provided

  iii. expenditure committed to for each engagement.

The information is available on request from the Company Secretary.

Attestation for financial management compliance with Ministerial Standing Direction 5.1.4

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

Jeroen Weimar
Chair

FINANCIAL STATEMENTS

V/Line Corporation – Financial Statements

V/Line Corporation has presented its audited general purpose financial statements for the financial year ended 30 June 2018 in the following structure to provide users with the information about the Corporation's stewardship of resources entrusted to it.

Financial statements

Notes to the financial statements

Declaration in the financial statements

The attached financial statements for V/Line Corporation and the Corporation's subsidiary have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions (FRD), Australian Accounting Standards (AAS) 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 2018 and financial position of the consolidated entity at 30 June 2018.

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 24 August 2018.

Jeroen Weimar,
Chair

James Pinder,
Chief Executive Officer

Albert Giorgini,
Chief Financial Officer

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of Directors of V/Line Corporation

Opinion	I have audited the consolidated financial report of V/Line Corporation (the corporation) and its controlled entities (together the consolidated entity), which comprises the: • consolidated balance sheet as at 30 June 2018 • consolidated comprehensive operating statement for the year then ended • consolidated statement of changes in equity for the year then ended • consolidated cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • declaration in the financial statements. In my opinion, the financial report presents fairly, in all material respects, the financial positions of the consolidated entity and the corporation as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board of Directors' responsibilities for the financial report	The Board of Directors of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board of Directors is responsible for assessing the corporation and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
30 August 2018

Simone Bohan
as delegate for the Auditor-General of Victoria

Consolidated comprehensive operating statement

For the financial year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Continuing Operations			
Income from transactions			
Revenue	2.1(a)	662,511	601,281
Other income	2.1(b)	407,396	177,347
Total income from transactions		**1,069,907**	**778,628**
Expenses from transactions			
Operational expenses	3.2,3.3.1	544,374	479,782
Depreciation/Amortisation	4.2	19,161	25,270
Administrative expenses	3.5	61,725	61,446
Project expenses	3.6	301,436	81,300
Infrastructure maintenance	3.7	104,977	95,610
Trains provided free of charge – operating expenditure	3.8	43,958	37,349
Total expenses from transactions		**1,075,631**	**780,757**
Net result from transactions (net operating balance)		**(5,724)**	**(2,129)**
Other economic flows included in net result			
Net gain on financial instruments[a]	3.11(a)	3,902	1,640
Other gains/(losses) from other economic flows	3.11(b)	(48)	1,481
Total other economic flows included in net result		**3,854**	**3,121**
Net result from continuing operations before income tax		**(1,870)**	**992**
Income tax benefit/(expense)	3.9	2,104	(1,351)
Net result for the period after income tax	8.1	**234**	**(359)**
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		4,908	(3,153)
Total other economic flows – other comprehensive income		**4,908**	**(3,153)**
Comprehensive result		**5,142**	**(3,512)**

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 2018

	Notes	2018 $'000	2017 $'000
Assets			
Financial assets			
Cash and cash equivalents	6.1	68,266	7,562
Receivables	5.1	88,613	59,597
Other financial assets	5.6	4,504	–
Total financial assets		**161,383**	**67,159**
Non-financial assets			
Inventories	5.3	34,238	17,946
Property, plant, and equipment	4.1	124,456	118,262
Intangible assets	4.3	7,308	11,605
Other non-financial assets	5.5	5,656	4,940
Total non-financial assets		**171,658**	**152,753**
Total assets		**333,041**	**219,912**
Liabilities			
Payables	5.2	181,047	75,842
Employee related provisions	3.3.2	84,418	79,128
Other financial liabilities	5.7	–	2,508
Total liabilities		**265,465**	**157,478**
Net assets		**67,576**	**62,434**
Equity			
Accumulated deficit	8.9	(59,547)	(59,781)
Physical asset revaluation surplus	8.9	123,971	123,971
Hedge reserve	8.9	3,152	(1,756)
Net worth		**67,576**	**62,434**

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 2018

	Notes	2018 $'000	2017 $'000
Cash flows from Operating Activities			
Receipts			
Receipts from government		1,030,666	682,379
Receipts from tickets sales and other entities		106,681	112,122
Interest received		983	437
Total receipts		**1,138,330**	**794,938**
Payments			
Payments to suppliers and employees		(1,050,564)	(790,777)
Goods and Services Tax paid to the Australian Taxation Office[(a)]		(6,004)	(764)
Total payments		**(1,056,568)**	**(791,541)**
Net cash flows from operating activities	6.1.1	**81,762**	**3,397**
Cash flows from Investing Activities			
Purchases of non-financial assets		(21,058)	(16,010)
Net cash flows used in investing activities		**(21,058)**	**(16,010)**
Net increase/(decrease) in cash and cash equivalents		**60,704**	**(12,613)**
Cash and cash equivalents at the beginning of the financial year		7,562	20,175
Cash and cash equivalents at the end of the financial year	6.1	**68,266**	**7,562**

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 2018

	Notes	Physical Asset Revaluation Surplus $'000	Hedge Reserve $'000	Accumulated Deficit $'000	Total Equity $'000
Balance at 1 July 2016	**8.9**	**123,971**	**1,397**	**(59,422)**	**65,946**
Net result for the year	8.9	–	–	(359)	(359)
Other comprehensive income for the year		–	(3,153)	–	(3,153)
Balance at 30 June 2017	**8.9**	**123,971**	**(1,756)**	**(59,781)**	**62,434**
Net result for the year	8.9	–	–	234	234
Other comprehensive income for the year	8.9	–	4,908	–	4,908
Balance at 30 June 2018	**8.9**	**123,971**	**3,152**	**(59,547)**	**67,576**

The accompanying notes form part of these financial statements.

1. About this Report

These annual consolidated financial statements represent the audited general purpose financial statements for V/Line Corporation ("the Corporation") and its controlled entity V/Line Pty Ltd (together referred to as "the Group") for the year ended 30 June 2018.

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

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

The functions of the Group are to:

- operate rail and coach passenger services;
- operate services ancillary or incidental to its rail passenger services, including any other transport services;
- operate and maintain rail infrastructure and related infrastructure, including for communications, to support rail passenger and rail freight services;
- manage access to the rail network operated by the Group;
- independently perform a function to meet requirements as set by the Public Transport Development Authority (PTV);
- develop and deliver projects, including by acquiring rolling stock, constructing rail infrastructure, roads, or road-related infrastructure, or provide assistance to the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) 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 DEDJTR's planning framework to support a sustainable transport system, including minimising any adverse environmental impacts from rail passenger and rail freight services; and
- provide, or arrange for the provision and dissemination of, information to Victorians about its rail passenger and rail freight services and report on the activities of any other person carrying out the above objectives on behalf of the Group.

Basis of preparation

The accrual basis of accounting has been applied in 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.

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

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 AAS that have significant effects on the financial statements and estimates relate to:

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

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

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

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

The financial statements of the subsidiary company have been prepared in compliance with AASs as they apply on a liquidation basis. However, there is no impact on comparatives as the business operations of the subsidiary company continue to be performed by the Corporation subsequent to the transfer date on 17 February 2018.

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 Australian Accounting Standards Board (AASB) 10 *Consolidated Financial Statements*:

- the consolidated financial statements of the Group incorporate assets and liabilities of all reporting entities controlled by the Group as at 30 June 2018, and their income and expenses for that part of the reporting period in which control existed; and
- the consolidated financial statements exclude bodies in the Group's portfolio that are not controlled by the Group, and therefore are not consolidated. Bodies and activities that are administered are also not controlled and not consolidated.

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

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 had no other assets or liabilities and acted as a holding company. However, from 17 February 2018, subsequent to the transfer of employees, assets, rights, liabilities, and obligations from V/Line Pty Ltd, the Corporation became the operating entity. The Corporation has no restrictions on its ability to access or use the assets and settle the liabilities of the Group, such as:

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

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

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

The financial position and performance of the Corporation are as follows:

	2018 $'000	2017 $'000
Assets	333,041	–
Liabilities	(265,465)	–
Equity	67,576	–
Revenue	401,747	–
Expenditure	(390,017)	–
Profit after taxation	13,834	–

Entities consolidated within the V/Line Corporation group are:

Name	Principal place of incorporation and business	Equity interest	2018 $'000	2017 $'000
V/Line Pty Ltd	Australia	100%	–	–

Transfer of Operations from V/Line Pty Ltd to V/Line Corporation

In accordance with legislative amendments to the *Transport Integration Act 2010*, V/Line undertook a transfer of its entire business; employees, assets, rights, liabilities, and obligations from the operative subsidiary V/Line Pty Ltd to its parent entity, V/Line Corporation. The transfer date was confirmed by the Minister for Public Transport and occurred on 17 February 2018. As at the transfer date, V/Line Corporation employs all staff, owns all assets, exercises all rights, and assumes all liabilities and obligations that formerly resided with V/Line Pty Ltd. The members voluntary liquidation of V/Line Pty Ltd will commence in the 2018-19 financial year.

Assets, liabilities, and equity balances were transferred as at 17 February 2018 from V/Line Pty Ltd to V/Line Corporation. Total assets totalled $244.5 million, liabilities $193.0 million resulting in net assets of $51.5 million. Equity transferred totalled $51.5 million.

Amounts have been rounded to the nearest $1,000.

The income statement for V/Line Pty Ltd for the period to 17 February 2018 were as follows:

Revenue	$'000
Contributions from government	312,352
Project re-imbursement	257,760
Farebox	62,397
Trains provided free of charge	27,732
Other income	7,306
Interest	613
Total Revenue	**668,160**

Expenditure	$'000
Operational	344,821
Project re-imbursement	257,760
Depreciation/Amortisation	11,878
Trains provided free of charge	27,732
Administrative	39,569
Total Expenditure	**681,760**
Loss before tax	**(13,600)**

The following assets, liabilities and equity were transferred from V/Line Pty Ltd to V/Line Corporation as at 17 February 2018:

Assets	$'000
Cash and cash equivalents	43,857
Receivables	47,725
Inventories	21,008
PPE and Intangibles	126,103
Prepayments	4,472
Other financial assets	1,302
Total Assets	**244,467**

Liabilities	$'000
Payables	111,145
Provision for employee benefits	80,226
Other liabilities	1,595
Total Liabilities	**192,966**
Net Assets	**51,501**

Equity	$'000
Accumulated deficit	(73,381)
Reserves	124,882
Net Equity	**51,501**

Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable AAS which include Interpretations, issued by the 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 24 August 2018.

2. Funding delivery of our services

Introduction

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

Structure

2.1 Summary of income that funds the delivery of our services

2.2 Ticket sales / Fare-box

2.3 Contributions

2.4 Value in kind

2.5 Government project re-imbursement

2.1 Summary of income that funds the delivery of our services

	Notes	2018 $'000	2017 $'000
(a) Revenue			
Ticket sales / Fare-box revenue	2.2	101,843	96,402
Inter-operator income		800	778
Contributions from Government	2.3	505,618	454,963
Other income		10,292	11,789
Trains received free of charge (Value in Kind)	2.4	43,958	37,349
		662,511	**601,281**
(b) Other income			
Interest		983	437
Project re-imbursement	2.5	406,413	176,910
		407,396	**177,347**
Total income from transactions		**1,069,907**	**778,628**

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/Fare-box

	2018 $'000	2017 $'000
Myki ticketing system	70,369	65,410
V/Net ticketing system	31,474	30,992
	101,843	**96,402**

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

2.3 Contributions from Government

Franchise subsidy	498,567	450,263
Leave funding	7,051	4,700
	505,618	**454,963**

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	43,958	37,349

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

Use of VLocity, diesel multiple unit trains which are leased or owned by Rolling Stock Holdings (Victoria) Pty Ltd are received free of charge ("Value in Kind"; "VIK"). The VIK measurement is based on the value of the lease payments made by PTV and the notional value based on the capital cost per unit of rolling stock purchased outright. An expense of the equal amount is also recognised in the Comprehensive Operating Statement. Therefore, the net impact on Comprehensive Income is zero arising from this recognition. Refer the related party disclosure in Note 8.10. where the amount is shown against PTV.

2.5 Project re-imbursement

	2018 $'000	2017 $'000
Government	393,262	169,917
Other entities	13,151	6,993
Project re-imbursement	**406,413**	**176,910**

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

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

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

3. The cost of delivering our services

Introduction

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

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

Structure

3.1 Expenses incurred in delivery of services (excl. Depreciation/Amortisation)

	Notes	2018 $'000	2017 $'000
Operating costs (excl. labour)	3.2	286,494	252,591
Employee benefit expenses	3.3.1	257,880	227,191
Operational expenses		**544,374**	**479,782**
Administrative expenses	3.5	61,725	61,446
Project expenses	3.6	301,436	81,300
Infrastructure maintenance	3.7	104,977	95,610
Trains provided free of charge (Value in Kind)	3.8	43,958	37,349
Total expenses incurred in delivery of services		**1,056,470**	**755,487**

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)

Fleet maintenance	127,943	120,650
Fuel costs	29,351	22,901
Access charges	16,233	15,876
V/Line branded coach contract costs	36,743	35,135
Road coach services	17,135	13,027
Other direct costs	20,555	14,885
Repairs & maintenance	38,534	30,117
	286,494	**252,591**

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

3.3 Employee benefits

3.3.1 Employee benefit expenses in the comprehensive operating statement

	2018 $'000	2017 $'000
Salaries and wages	192,554	172,996
Superannuation	25,028	21,859
Annual leave and long service leave expense	26,091	19,530
Other on-costs (payroll tax and WorkCover levy)	14,207	12,806
	257,880	**227,191**

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 benefits in the balance sheet

Current employee provisions	2018 $'000	2017 $'000
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]	17,856	15,981
– unconditional and expected to be settled wholly after 12 months[ii]	4,682	4,156
	22,538	20,137
Other leave (Note 3.3.2(a)):		
– unconditional and expected to be settled wholly within 12 months[iii]	2,791	2,233
	2,791	2,233
Long service leave (Note 3.3.2(a)):		
– unconditional and expected to be settled wholly within 12 months[iii]	8,786	8,529
– unconditional and expected to be settled wholly after 12 months[ii]	33,387	32,400
	42,173	40,929
Other provisions – employee related (Note 3.3.2(a))	1,799	2,062
	1,799	2,062
Total employee provisions	**69,301**	**65,361**
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]	4,373	3,953
– unconditional and expected to be settled wholly after 12 months[ii]	3,844	3,685
	8,217	7,638
Total current provisions for employee benefits	**77,518**	**72,999**
Non-current provisions		
Employee benefits (Note 3.3.2(a)):[i]		
Long service leave (LSL)	6,324	5,615
On-costs (Note 3.3.2(a) and Note 3.3.2(b))	576	514
Total non-current provisions for employee benefits	**6,900**	**6,129**
Total Provisions for employee benefits	**84,418**	**79,128**

(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.

	2018 $'000	2017 $'000
(a) Employee benefits and on-costs[i]		
Current employee benefits		
Annual Leave	22,538	20,137
Long Service Leave	42,173	40,929
Other leave	2,791	2,233
Other provisions – employee related	1,799	2,062
	69,301	**65,361**
Non-current employee benefits		
Long service leave	6,324	5,615
	6,324	**5,615**
Total employee benefits	**75,625**	**70,976**
Current on-costs	8,217	7,638
Non-current on-costs	576	514
Total on-costs	**8,793**	**8,152**
Total employee benefits and on-costs	**84,418**	**79,128**

	Employee Benefits	On-costs	Total
	2018 $'000	2018 $'000	2018 $'000
(b) Movement in Provisions			
Opening Balance	**70,976**	**8,152**	**79,128**
Net additional provisions recognised and reductions arising from payments/other sacrifices of future economic benefits	4,605	637	5,242
Unwind of discount and effect of changes in the discount rate	44	4	48
Closing Balance	**75,625**	**8,793**	**84,418**
Current	69,301	8,217	77,518
Non-current	6,324	576	6,900
Total	**75,625**	**8,793**	**84,418**

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

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and 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 AAS 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

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

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

The components of this current LSL are measured at:

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

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

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

(iii) Termination benefits

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

(iv) Employee benefits on-costs

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

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

3.4 Superannuation

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 ("DTF") 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	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Defined benefit plans[i]				
State Superannuation Fund – revised and new	6,480	5,486	563	1,174
Transport Superannuation Fund	2,414	1,871	211	412
Total defined benefit plans	**8,894**	**7,356**	**774**	**1,586**
Defined contribution plans				
VicSuper	8,695	7,303	780	985
Various other	6,933	5,093	529	92
Total defined contribution plans	**15,628**	**12,396**	**1,309**	**1,077**
Total superannuation plans	**24,522**	**19,752**	**2,083**	**2,663**

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

3.5 Administrative expenses

Administrative expenses are made up of the following expense categories;

	2018 $'000	2017 $'000
Information technology and communication	21,862	22,531
Motor vehicle	7,171	5,863
Other administration	26,767	25,826
Total administration	**55,800**	**54,220**
Selling	1,249	1,073
Marketing and communication	2,549	2,310
Customer services	2,127	3,843
Total Administrative expenses	**61,725**	**61,446**

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

3.6 Project expenses

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

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

3.7 Infrastructure maintenance

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

3.8 Trains provided free of charge

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. Income of an 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 benefit/(expense)

	2018 $'000	2017 $'000
Accounting (loss)/profit before income tax	(1,870)	992
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2017: 30%)	561	(298)
Tax expense relating to non-temporary differences	–	(2)
Deferred tax expense relating to reversal of temporary differences	–	(1,051)
Initial recognition of deferred tax asset on losses	1,543	–
Income tax benefit/(expense)	**2,104**	**(1,351)**
The component of tax benefit/(expense) comprises:		
Current tax	(2,099)	(4,399)
Deferred tax	4,203	3,048
Balance	**2,104**	**(1,351)**
Weighted average tax rate	112.5%	136.1%

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

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

(a) Net gains/(losses) on financial instruments		
Impairment of contractual receivables	(38)	(26)
Net gain on hedge	3,940	1,666
Total net gains on financial instruments	**3,902**	**1,640**

(b) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service leave liability	(48)	1,481
Total other gains/(losses) from other economic flows	**(48)**	**1,481**

4. Key assets available to support output delivery

Introduction

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

Fair value measurement

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

Structure

4.1 Property, plant, and equipment

4.1.1 Classification by 'purpose groups' – carrying amounts (i)

	Total Transportation and Communications(ii) 2018 $'000	2017 $'000
Plant and equipment		
At fair value	35,378	38,845
Accumulated depreciation	(29,969)	(33,684)
Net carrying amount	**5,409**	**5,161**
Rolling stock		
At fair value	128,354	128,754
Accumulated depreciation	(43,559)	(36,333)
Net carrying amount	**84,795**	**92,421**
Leasehold Improvements		
At fair value	6,554	8,223
Accumulated depreciation	(4,759)	(5,943)
Net carrying amount	**1,795**	**2,280**
Rolling stock – capitalised improvements		
At fair value	31,264	19,676
Accumulated depreciation	(10,857)	(4,754)
Net carrying amount	**20,407**	**14,922**
Capital works in progress	**12,050**	**3,478**
Total property, plant, and equipment	**124,456**	**118,262**

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

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

i. Property plant and equipment are classified primarily by the 'purpose' for which the assets are used, 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 Communications. This purpose is based upon the government's purpose classifications, as per above.

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

There were no changes in valuation techniques throughout the period to 30 June 2018.

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

4.1.2 Classification by 'purpose groups' – movement in carrying amounts

	Total Transportation and Communications	
	2018 $'000	2017 $'000
Rolling stock at fair value		
Carrying amount at beginning of year	92,421	110,206
Depreciation expense	(7,626)	(17,785)
Carrying amount at end of year	**84,795**	**92,421**
Rolling stock at cost – capitalised improvements		
Carrying amount at beginning of year	14,922	8,230
Additions	12,583	10,011
Disposals	(995)	–
Depreciation expense	(6,103)	(3,319)
Carrying amount at end of year	**20,407**	**14,922**
Plant and equipment		
Carrying amount at beginning of year	5,161	4,768
Additions	1,754	1,133
Disposals	(605)	(19)
Depreciation expense	(901)	(721)
Carrying amount at end of year	**5,409**	**5,161**
Leasehold improvements		
Carrying amount at beginning of year	2,280	2,543
Additions	259	159
Disposals	(347)	–
Depreciation expense	(397)	(422)
Carrying amount at end of year	**1,795**	**2,280**
Capital works in progress		
Carrying amount at beginning of year	3,478	4,545
Additions	9,587	4,727
Net movements to Intangible assets	163	(5,794)
Disposals	(1,178)	–
Carrying amount at end of year	**12,050**	**3,478**

	Total Transportation and Communications	
	2018 $'000	2017 $'000
Total property, plant, and equipment		
Carrying amount at beginning of year	118,262	130,292
Additions	24,183	16,030
Disposals	(3,125)	(19)
Depreciation expense	(15,027)	(22,247)
Net movements to Intangible assets	163	(5,794)
Carrying amount at end of year	**124,456**	**118,262**

4.1.3 Rolling stock

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

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

As the market for the rolling stock lacks sufficient depth due to the specialised nature of the assets and the small population and volume traded, other indirect methods of valuation have been used.

The current replacement cost method was used as the primary method of the last valuation and provided a fair value for the rolling stock fleet as at 30 June 2015 of $122.3 million.

The Group considers that the net carrying amount of the rolling stock as at 30 June 2018 is a reasonable approximation of its fair value.

Non-financial physical assets are measured at fair value in accordance with FRD 103G *Non-financial physical assets* issued by the Minister for Finance. The Group undertook an independent revaluation of its rolling stock as at 30 June 2015 in line with the 5-year revaluation cycle based on the 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 VGV. The Group has adopted current replacement cost as the valuation basis for its rolling stock. This approach is in accordance with the requirements of AASB 136 and FRD 106B, which states that the net recoverable test does not apply to a not-for-profit entity since there is no dependence on its assets' abilities to generate net cash inflows.

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

Revaluation increments, or decrements are accounted for as follows;

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

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

4.1.4 Leasehold improvements

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

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

4.2 Depreciation and impairment

	2018 $'000	2017 $'000
Depreciation/Amortisation of non-financial assets		
Rolling stock	7,626	17,785
Rolling stock - capitalised improvements	6,103	3,319
Plant and equipment	901	721
Leasehold improvements	397	422
Intangible assets	4,134	3,023
Total depreciation/amortisation of non-financial assets	**19,161**	**25,270**

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

Impairment

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

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

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

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

	Computer software		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Gross carrying amount				
Opening balance	16,919	11,125	16,919	11,125
Net movements (to)/from capital works in progress	(163)	5,794	(163)	5,794
Closing balance	**16,756**	**16,919**	**16,756**	**16,919**
Accumulated amortisation				
Opening balance	(5,314)	(2,291)	(5,314)	(2,291)
Amortisation of intangible assets	(4,134)	(3,023)	(4,134)	(3,023)
Closing balance	**(9,448)**	**(5,314)**	**(9,448)**	**(5,314)**
Net book value at end of financial year	**7,308**	**11,605**	**7,308**	**11,605**

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

Amortisation

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

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

	2018 $'000	2017 $'000
Contractual		
Trade receivables	43,805	34,184
Other receivables	40,500	24,202
Provision for doubtful contractual receivables	(110)	(187)
	84,195	**58,199**
Statutory		
Fuel rebate receivable from the ATO	4,418	1,398
	4,418	**1,398**
Total receivables	**88,613**	**59,597**
Related party receivables (included in above)[(a)]		
PTV and DEDJTR	66,576	50,628
Other related parties	1,157	76
	67,733	**50,704**

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.
- Statutory receivables, such as amounts owing from the Australian Taxation Office (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.

(a) Refer Note 8.10 Related parties

Movement in the provision for doubtful contractual receivables

	2018 $'000	2017 $'000
Balance at beginning of the year	**(187)**	**(161)**
Increase in provision recognised in the net result	(38)	(26)
Reversal of provision of receivables written off during the year as uncollectible	115	–
Balance at end of the year	**(110)**	**(187)**

Doubtful debts

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 2017-18 financial year, an additional $37,509 (2017: $25,637) was also provided for, increasing the provision for doubtful contractual receivables by this amount. In 2017-18 based on a detailed analysis of the recoverability of individual accounts, the Group wrote off $114,745 (2017: $1,081,901) as bad unrecoverable debt. This amount has been included as part of Administrative expenses as disclosed in Note 3.5.

Ageing analysis of contractual financial assets

	Carrying amount	Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018							
Receivables:							
Trade receivables	43,805	–	41,566	1,254	875	–	110
Other receivables	40,500	40,500	–	–	–	–	–
Total	**84,305**	**40,500**	**41,566**	**1,254**	**875**	**–**	**110**
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**

Receivables are due for settlement at no more than 30 days from the date of recognition. No interest is charged on receivables. No collateral is held as security or credit enhancement in relation to any of its financial assets. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired.

5.2 Payables

	2018 $'000	2017 $'000
Contractual		
Trade payables – unsecured[i]	58,234	26,674
Superannuation payable	2,102	3,947
Accruals	46,630	23,174
Deferred income	64,560	8,112
Other payables	5,902	8,886
	177,428	**70,793**
Related party payables[i]		
Public Transport Victoria and VicTrack	1,225	1,870
Statutory		
GST payable	(490)	1,586
FBT payable	127	78
Other taxes payable	3,921	3,282
WorkCover payable	61	103
	3,619	**5,049**
Total payables	**181,047**	**75,842**

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

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

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

(i) Note 8.10 Related parties

Maturity analysis of contractual financial liabilities

	Carrying amount	Maturity Dates				
		Less than 1 month	1-3 months	3 months – 1 year	1-5 years	5+ years
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Payables:						
Trade payables	58,234	55,686	2,078	470	–	–
Superannuation	2,102	–	2,102	–	–	–
Accruals	46,630	–	46,630	–	–	–
Other payables	5,902	5,902	–	–	–	–
Total	**112,868**	**61,588**	**50,810**	**470**	**–**	**–**
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**	**–**	**–**

5.3 Inventories

	2018 $'000	2017 $'000
Spares and materials at cost	34,238	17,946

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

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

5.4 Taxes

	2018 $'000	2017 $'000
Deferred tax balances		
Gross deferred tax assets – temporary differences		
Recognised losses available for offsetting against future taxable income	2,209	3,556
Accruals	684	1,197
Provision for employee entitlements	25,344	23,949
Other provisions	33	56
Equity – Fuel Hedge Reserve	–	752
Total deferred tax assets	**28,270**	**29,510**
Deferred tax liability		
Accelerated depreciation for taxation purposes	26,919	29,510
Equity – Fuel Hedge Reserve	1,351	–
Total deferred tax liability	**28,270**	**29,510**
Net deferred tax asset/(liability)	**–**	**–**
Movement in deferred tax liability:		
Opening net deferred tax liability	–	–
Deferred tax movement through equity	(2,104)	1,351
Utilisation of carry forward tax losses	(2,099)	(4,399)
Prior year deferred tax benefit/(expense)	452	–
De-recognition of excess carry forward tax losses	–	(1,051)
Recognition of prior year carry forward tax losses	1,543	–
Current year deferred tax benefit/(expense)	2,208	4,099
Aggregate deferred tax asset/(liability)	**–**	**–**

The Group has no unrecognised deferred tax assets attributable to carry forward tax losses (2017: $1.1 million).

	2018 $'000	2017 $'000
Amount charged directly to equity		
Fuel hedge reserves	1,351	(752)
Total amount charged to equity	**1,351**	**(752)**

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future 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 NTER, V/Line Corporation and its subsidiary V/Line Pty Ltd are treated as separate entities for the purposes of their income tax compliance obligations. Each entity accounts for tax on a stand-alone basis not on a consolidated income tax basis. The tax obligations of V/Line Pty Ltd have been transferred to V/Line Corporation on 17 February 2018.

5.5 Other non-financial assets

	2018 $'000	2017 $'000
Prepayments	**5,656**	**4,940**

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	4,504	–
Total other financial assets	**4,504**	**–**

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 into diesel fuel hedges with Treasury Corporation of Victoria (TCV). As at 30 June 2018, the Group has monthly diesel fuel hedges maturing until March 2019.

6. How we financed our operations

Introduction

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

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

Structure

6.1 Cash flow information and balances

	2018 $'000	2017 $'000
Cash at bank	68,110	7,407
Cash on hand	156	155
Total cash and cash equivalents	**68,266**	**7,562**

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

	2018 $'000	2017 $'000
Net result for the period	**234**	**(359)**
Non-cash movements		
Depreciation and amortisation of non-current assets	19,161	25,270
Tax (benefit)/expense	(2,104)	1,351
Movements in assets and liabilities		
Increase in trade and other receivables	(29,015)	(7,918)
Increase in inventories	(16,293)	(8,057)
(Increase)/decrease in prepayments	(716)	80
Increase/(decrease) in trade and other payables	105,205	(9,994)
Increase in employee benefits	5,290	3,024
Net cash flows from operating activities	**81,762**	**3,397**

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.

Nominal values	2018 $'000	2017 $'000
Operating and lease commitments payable		
Less than 1 year	9,609	6,234
Longer than 1 year but not longer than 5 years	15,658	8,579
5 years or more	1,508	692
Total operating lease commitments	**26,775**	**15,505**
Other commitments payable		
Less than 1 year	162	3,895
Longer than 1 year but not longer than 5 years	2	3,245
5 years or more	–	–
Total other commitments	**164**	**7,140**
Total commitments (inclusive of GST)	**26,939**	**22,645**
Less GST recoverable from the ATO	2,449	2,059
Total commitments (exclusive of GST)	**24,490**	**20,586**

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 500, 707 and 750 Collins Street Docklands with various expiry dates respectively and include certain fixed percentage increases at the dates specified in the agreements. The total operating lease expense for the year was $9.7 million (2017: $3.1 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. The Group 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); or
- hedges of highly probable forecast transactions (cash flow hedge).

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

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

In relation to fair value hedges, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk. Whereas for 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 TCV 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.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been substantially transferred, or when control of the asset have been transferred. Financial liabilities are derecognised when the obligation under the liabilities are discharged, cancelled or expires.

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. All financial instrument assets are subject to annual review for impairment. The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

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

	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
2018			
Contractual financial assets			
Cash and cash equivalents	–	68,266	–
Trade and other receivables	–	84,195	–
Fuel hedge derivative	4,504	–	–
Total contractual financial assets	**4,504**	**152,461**	**–**
Contractual financial liabilities			
Trade and other payables	–	–	112,868
Total contractual financial liabilities	**–**	**–**	**112,868**
2017			
Contractual financial assets			
Cash and cash equivalents	–	7,562	–
Trade and other receivables	–	58,199	–
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**

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

	Interest Income $'000	Gain/(loss) on hedge $'000	Impairment loss $'000	Total $'000
2018				
Contractual financial assets				
Financial assets – loans and receivables	983	–	(38)	945
Fuel hedge derivative	–	3,940	–	3,940
Total contractual financial assets	**983**	**3,940**	**(38)**	**4,885**
2017				
Contractual financial assets				
Financial assets – loans and receivables	437	–	(26)	411
Total contractual financial assets	**437**	**–**	**(26)**	**411**
Contractual financial liabilities				
Fuel hedge derivative	–	1,666	–	1,666
Total contractual financial liabilities	**–**	**1,666**	**–**	**1,666**

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

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

7.1.3 *Financial risk management objectives and policies*

As a whole, the Group's financial risk management program seeks to manage 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 Group manages these financial risks in accordance with its financial risk management policy.

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

Market risk

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

Interest rate risk

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

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

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

As at 30 June 2018 and 2017 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:

	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
2018			
Financial assets			
Cash and cash equivalents	68,266	–	68,266
Contractual trade and other receivables	–	84,195	84,195
Fuel hedge derivative	–	4,504	4,504
Total financial assets	**68,266**	**88,699**	**156,965**
Weighted average interest rate	1.5%	n/a	
Financial liabilities			
Contractual trade and other payables	–	112,868	112,868
Total financial liabilities	**–**	**112,868**	**112,868**
2017			
Financial assets			
Cash and cash equivalents	7,562	–	7,562
Contractual trade and other receivables	–	58,199	58,199
Total financial assets	**7,562**	**58,199**	**65,761**
Weighted average interest rate	1.5%	n/a	
Financial liabilities			
Contractual trade and other payables	–	62,681	62,681
Fuel hedge derivative	–	2,508	2,508
Total financial liabilities	**–**	**65,189**	**65,189**

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 2018, the Group has monthly diesel fuel hedges maturing until March 2019. 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	
	2018 Cents per litre	2017 Cents per litre	2018 $'000	2017 $'000
Less than 1 year	60.6	55.3	19,084	20,377
1 to 2 years	–	–	–	–
2 to 5 years	–	–	–	–
			19,084	**20,377**

As at 30 June 2018, the diesel fuel hedges were a financial asset and had a fair value of $4,503,816 (2017: $2,507,919 financial liability). Refer 5.6 and 5.7. This amount has been recognised in Other Comprehensive Income, net of tax.

There has been a restatement of the comparative notional principal amount from $27.4 million to $20.4 million due to volume reassessments by the third party provider of the information.

Reconciliation of Cash flow hedge reserve	2018 $'000	2017 $'000
Opening balance	(1,756)	1,397
Revaluations to fair value, net of tax	968	(4,819)
Gain on settlement of hedge transferred to profit or loss	3,940	1,666
Closing balance, net of tax	**3,152**	**(1,756)**

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 effective.

Foreign currency risk

The Group is exposed to foreign currency risk arising from AUD/USD and AUD/EUR exchange rate fluctuations through its fleet maintenance program. The Group in conjunction with TCV and DTF is currently in the process of implementing a mitigation strategy to manage the foreign currency exposure. It is anticipated that this strategy will be operational in the 2018-19 financial year. The Group is also exposed to the AUD: USD exchange rate fluctuations through its exposure to diesel fuel. The exchange rate risk on the diesel fuel is mitigated 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.

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
2018			
Contractual financial assets			
Cash and cash equivalents	68,266	–	68,266
Trade and other receivables	67,733	16,462	84,195
Fuel hedge derivative	4,504	–	4,504
Total contractual financial assets	**140,503**	**16,462**	**156,965**
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**

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.

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 2019, 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 (2017: 100 basis points up and down) in market interest rates, would result in the net result increasing/(decreasing) by $682,660/ ($682,660) (2017: $75,620/ ($75,620)).

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 $2,341,324/ ($2,341,324) (2017: $1,771,307/ ($1,771,307)).

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.

Contingent assets

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

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

There are no material contingent assets.

Contingent liabilities

Contingent liabilities are:

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

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

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

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

V/Line's operations are subject to various environmental regulations under both Commonwealth and State laws. V/Line takes active steps to improve environmental management systems and ongoing internal procedures, to help discharge obligations under these laws. In 2017-18 V/Line investigated all incidents of alleged vegetation disturbance associated with V/Line activities and where necessary worked with the Department of Environment, Land, Water, and Planning to put in place remediation plans.

A Clean Up Notice under section 62A of the *Environment Protection Act 1970 (Vic)* relating to the remediation of legacy contamination at Ararat was issued in July 2016. 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 and verification have been completed, and the notice has been rescinded.

The EPA issued two further Clean Up Notices in May 2018 in relation to dumped rubbish and soil on the South Western line by third parties. Cleanup of rubbish has commenced and testing of soil is underway.

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

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

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

The following assets and liabilities are carried at fair value:

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

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

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.

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; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

7.3.1 Fair value determination of financial assets and liabilities

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

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

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

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

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

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

	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	68,266	7,562
Trade and other receivables	84,195	58,199
Fuel hedge derivative	4,504	–
Total financial assets	**156,965**	**65,761**
Financial liabilities		
Trade and other payables	112,868	62,681
Fuel hedge derivative	–	2,508
Total financial liabilities	**112,868**	**65,189**
Net financial assets	**44,097**	**572**

Valuation techniques and inputs used to measure level 2 fair values

	Fair Value at 30 June 2018 ($'000)	**Valuation technique**	**Inputs used**
Diesel fuel swap hedges	4,504	Income approach using discounted cash flow methodology	Commodity price AUD: USD exchange rates

7.3.2 Fair value determination of non-financial physical assets

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

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
2017				
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

There have been no transfers between levels during the period.

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

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

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 2018.

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

2018 and 2017	Valuation technique	Significant Unobservable Inputs
Plant and equipment	Current replacement cost	Cost per unit Useful life of plant and equipment
Rolling stock	Current replacement cost	Cost per unit Useful life of rolling stock
Leasehold improvements	Current replacement cost	Cost of improvement Shorter of the remaining term of the lease or the useful life of the improvement
Rolling stock – capitalised improvements	Current replacement cost	Cost per improvement Useful life of capitalised improvement

8. Other disclosures

Introduction

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

Structure

8.1 Scope and presentation of financial statements

Consolidated comprehensive operating statement

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

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

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

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

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

Consolidated balance sheet

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

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

Consolidated cash flow statement

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

Consolidated statement of changes in equity

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

8.2 Not for profit

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

8.3 Going concern

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

Each year the Group undertakes normal budget processes that form part of the State Government of Victoria's forward budget estimates. This process provides funding for up to four years. Allocations are made through the State Government of Victoria's budget to enable the Group to meet its output obligations under the Partnership Agreement with PTV which is in place until 1 January 2023. Once the budget allocation is approved the final funding available to the Group is determined for that year. Funding requirements for the year ending 30 June 2019 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 $57.3 million (2017: $61.3 million) this financial report has been prepared on a going concern basis as the Group is financially subsidised by its ultimate parent entity, the State Government of Victoria, pursuant to a Partnership Agreement with PTV, which was executed on 1 January 2018.

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

8.4 Restructuring of administrative arrangements

In accordance with legislative amendments to the *Transport Integration Act 2010*, V/Line undertook a transfer of its entire business; employees, assets, rights, liabilities, and obligations from the operative subsidiary V/Line Pty Ltd to its parent entity, V/Line Corporation. The transfer date was confirmed by the Minister for Public Transport and occurred on 17 February 2018. As at the transfer date, V/Line Corporation employs all staff, owns all assets, exercises all rights, and assumes all liabilities that formerly resided with V/Line Pty Ltd. The members voluntary liquidation will commence in the 2018-19 financial year.

The combined revenue and expenditure for the business for the reporting period are as follows:

	Recognised by V/Line Pty Ltd (1 Jul 2017 – 17 Feb 2018) $'000	Recognised by V/Line Corporation (18 Feb 2018 – 30 Jun 2018) $'000	Total $'000
Revenue	668,160	401,747	1,069,907
Expenditure	(681,760)	(390,017)	(1,071,777)
Net result before income tax	(13,600)	11,730	(1,870)
Income tax benefit	–	2,104	2,104
Net result after income tax	**(13,600)**	**13,834**	**234**

The net assets assumed by V/Line Corporation as a result of the administrative restructure is recognised in the balance sheet at the carrying amount of those assets in V/Line Pty Ltd's balance sheet immediately before the transfer. There was no net impact of the assets transferred to the consolidated balance sheet of the Group as V/Line Pty Ltd is a wholly-owned subsidiary of V/Line Corporation.

The net asset transfers were treated as a contribution of capital by V/Line Corporation. No income has been recognised by V/Line Corporation in respect of the net assets transferred from V/Line Pty Ltd.

The net assets transferred from V/Line Pty Ltd to V/Line Corporation on 17 February 2018 are as follows:

	$'000		$'000
Assets		***Liabilities***	
Cash and cash equivalents	43,857	Payables	111,145
Receivables	47,725	Provision for employee benefits	80,226
Inventories	21,008	Other liabilities	1,595
PPE and Intangibles	126,103		
Prepayments	4,472		
Other assets	1,302	**Total Liabilities**	**192,966**
Total Assets	**244,467**	**Net Assets**	**51,501**
		Equity	
		Accumulated deficit	(73,381)
		Reserves	124,882
		Net Equity	**51,501**

8.5 Accounting for the goods and services tax (GST)

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

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

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

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

8.6 Responsible persons

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

Names

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

Minister for Public Transport	The Hon. Jacinta Allan MP	01 July 2017 to 30 June 2018
Treasurer	The Hon. Tim Pallas MP	01 July 2017 to 30 June 2018
Chief Executive Officer	Mr J Pinder	01 July 2017 to 30 June 2018

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Group during the reporting period was in the range of $450,000 – $459,999 ($440,000 – $449,999 in 2016/17).

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

8.7 Remuneration of executives

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

Remuneration comprises employee benefits 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	2018 $	2017 $
Short-term employee benefits	3,196,289	2,455,445
Post-employment benefits	279,487	212,650
Termination benefits	–	235,731
Total remuneration[(a)]	**3,475,776**	**2,903,826**
Total number of executives[(b)]	**13**	**15**
Total annualised employee equivalent (AEE)[(c)]	**11**	**11**

8.8 Remuneration of auditors

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

– audit of the financial statements – Victorian Auditor-General's Office	103	109
	103	**109**

8.9 Equity

Accumulated deficit		
Balance at beginning of the year	(59,781)	(59,422)
Net result	234	(359)
Balance at end of the year	**(59,547)**	**(59,781)**
Physical asset revaluation surplus		
Balance at beginning of the year	123,971	123,971
Net increase/(decrease) in Asset revaluation reserve[(d)]	–	–
Balance at end of the year	**123,971**	**123,971**
Hedge reserve		
Balance at beginning of the year	(1,756)	1,397
Net increase/(decrease) in Hedge reserve[(e)]	4,908	(3,153)
Balance at end of the year	**3,152**	**(1,756)**

(a) Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 *Employee Benefits*.
(b) 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.
(c) 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).
(d) The physical assets revaluation surplus arises on the revaluation of the "classic fleet" rolling stock.
(e) The hedge reserve surplus arises from recording the valuation of the fuel hedge net of income tax effect.

8.10 Related parties

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

Related parties of the Group include:

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

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

Significant transactions with government-related entities

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

Related party	Nature of transaction	Terms and conditions	2018 $	2017 $
Expenses				
Public Transport Victoria	Provision of network marketing and customer information services including operation of a call centre	In accordance with the Partnership Agreement	677,895	200,874
Victorian Rail Track	Provision of communication services	In accordance with agreement between the parties	18,345,560	19,088,870
Department of Environment Land Water and Planning	Valuation of Non-Financial Assets	In accordance with agreement between the parties	7,110	15,575
Treasury Corporation Victoria	Diesel fuel hedges	In accordance with agreement between the parties	336,564	187,428

Related party	Nature of transaction	Terms and conditions	2018 $	2017 $
Revenue				
Public Transport Victoria	Provides funding to the Group	In accordance with the Partnership Agreement	505,617,857	454,962,984
Public Transport Victoria	myki/Ticket sales	In accordance with the Revenue Sharing agreement	70,369,077	65,410,201
Public Transport Victoria	Reimbursement of project expenditure	In accordance with agreement between the parties	191,526,835	162,969,031
Public Transport Victoria	Free use of VLocity trains	In accordance with agreement between the parties	43,957,804	37,349,472
VicRoads	Reimbursement of project expenditure	In accordance with agreement between the parties	35,404	122,565
VicRoads	Network access charges	In accordance with agreement between the parties	11,257	–
Department of Economic Development, Jobs, Transport, and Resources	Reimbursement of project expenditure	In accordance with agreement between the parties	201,092,016	6,699,626
Victorian Rail Track	Network access charges	In accordance with agreement between the parties	(8,032)	127,815
Victorian Rail Track	Reimbursement of project expenditure	In accordance with agreement between the parties	607,393	125,933

KMP of the Group include the Portfolio Minister, the Hon. Jacinta Allan MP and Treasurer, the Hon. Tim Pallas MP, Accountable Officer, Directors, and members of the Executive Leadership Team.

The names of the Directors during the financial year were:

- Ms Jennifer Dawson – Chair (term concluded on 30 June 2018)
- Mr Craig Cook – Deputy Chair
- Ms Rachel Thomson
- Mr John Donovan
- Ms Gabrielle Bell
- Ms Kay Macaulay

Mr Jeroen Weimar was appointed as the Chair of V/Line Corporation on 1 July 2018.

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

• Chief Executive Officer	James Pinder	Ongoing
• Chief Operating Officer	Carol-Anne Nelson	Ongoing
• Chief Financial Officer	Albert Giorgini	Ongoing
• EGM Enterprise Gov. & Risk	Brendan Geary	Ongoing
• EGM Health, Safety & Envirn.	Dean Matthews	Ongoing
• EGM Strategy & Program	Colin Taylor	Ongoing
• EGM Asset Management	Alex Panayi	Ongoing
• EGM Service Delivery	Paul D'Alessio	Ongoing
• EGM Corporate Affairs	Daniel Hoare	Ongoing
• EGM Customer	Melinda Button	Ongoing (maternity leave)
• Acting EGM Customer	Jonathan McKeown	Commenced 28/08/17
• EGM People	Elaine Seckold	Ongoing
• Company Secretary	Rochelle Reynolds	Ongoing (secondment from 14/05/18)
• Company Secretary	Rebecca Northeast	Commenced 14/05/18

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	2018 $	2017 $
Short-term employee benefits	3,873,728	3,107,691
Post-employment benefits	322,286	261,309
Termination benefits	–	240,824
	4,196,014	**3,609,824**

Transactions and balances with key management personnel and other related parties

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

The previous 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.

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.

8.11 Subsequent events

The financial statements were authorised for issue on 24 August 2018.

There were two matters that have occurred after 30 June 2018 that are not reflected in the financial statements. During the 2018-19 financial year, V/Line Pty Ltd will commence voluntary members liquidation and two VLocity trains were damaged in a collision in July, it is expected that V/Line will be liable for the insurance deductible only.

There were no other matter or circumstance not otherwise dealt with in the financial statements, which has the potential to significantly affect the operations of V/Line, the results of those operations or the state of affairs of the Group in subsequent financial years.

8.12 Dividends

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

8.13 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 2018. The DTF assesses the impact of all these new standards and advises entities of their applicability and early adoption where applicable. As at 30 June 2018, the following standards and interpretations had been issued but were not mandatory for the financial year ended 30 June 2018.

Standard/ Interpretation	Summary	Applicable for the annual reporting periods beginning	Impact on the Group'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 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, 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.
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. Note that amending standard AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	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.

Standard/ Interpretation	Summary	Applicable for the annual reporting periods beginning	Impact on the Group's financial statements
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends as follows: • 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; and – the amount can be measured reliably.	1 January 2018, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 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	Impact on the Group'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; and • For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 January 2018	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*	This Standard defers the mandatory 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	Impact on the Group’s financial statements
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. 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.	1 January 2019	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include: AASB 9 • Statutory receivables are recognised and measured similarly to financial assets AASB 15 • The “customer” does not need to be the recipient of goods and/or services; • The “contract” could include an arrangement entered into under the direction of another party; • Contracts are enforceable if they are enforceable by legal or “equivalent means”; • Contracts do not have to have commercial substance, only economic substance; and • Performance obligations need to be “sufficiently specific” to be able to apply AASB 15 to these transactions.

Standard/ Interpretation	Summary	Applicable for the annual reporting periods beginning	Impact on the Group's financial statements
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.	1 January 2019	There will be significant impact on V/Line's financial statements. The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no charge for lessors as the classification of operating and finance leases remains unchanged.

Standard/ Interpretation	Summary	Applicable for the annual reporting periods beginning	Impact on the Group's financial statements
AASB 1058 *Income of Not-for-Profit Entities*	AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously AASB 1004 *Contributions*. The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	1 January 2019	An assessment has indicated that there is no impact

Standard/ Interpretation	Summary	Applicable for the annual reporting periods beginning	Impact on the Group's financial statements
AASB 1059 *Service Concession Arrangements: Grantor*	This standard applies to arrangements that involve an operator providing a public service on behalf of a public sector grantor. It involves the use of a service concession asset and where the operator manages at least some of the public service at its own direction. An arrangement within the scope of this standard typically involves an operator constructing the asset used to provide the public service or upgrading the assets and operating and maintaining the assets for a specified period of time. The State has 2 types of PPP's: 1. Social Infrastructure: A PPP that requires the government to make payments to the operator upon commencement of services: • Operator finances and constructs the infrastructure; and • State pays unitary service payments over the term 2. Economic Infrastructure: A PPP that is based on user pays model: • Operator finances and constructs the infrastructure; • State does not pay for the cost of the construction; and • Operator charges asset users and recovers the cost of construction and operation for the term of the contract.	1 January 2019	For an arrangement to be in the scope of AASB 1059 all of the following requirements are to be satisfied: • Operator is providing public services using a service concession asset; • Operator manages at 'least some' of public services under its own discretion; • The State controls/ regulates: – What services are to be provided; – To whom; and – At what price • State controls any significant residual interest in the asset. As the Group's arrangement does not satisfy all the above requirements, the recognition will fall under the requirements of another applicable accounting standard.

Standard/ Interpretation	Summary	Applicable for the annual reporting periods beginning	Impact on the Group's financial statements
AASB 17 *Insurance Contracts*	The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard does not apply to the not-for-profit public sector entities. The AASB is undertaking future outreach to consider the application of this standard to the not-for-profit public sector.	1 January 2021	An assessment has indicated that there is no 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 2017-18 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 2016-5 *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 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement*

Disclosure index

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

Ministerial Directions & Financial Reporting Directions

Report of operations

Ministerial Directions & Financial Reporting Directions

Note

(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.

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