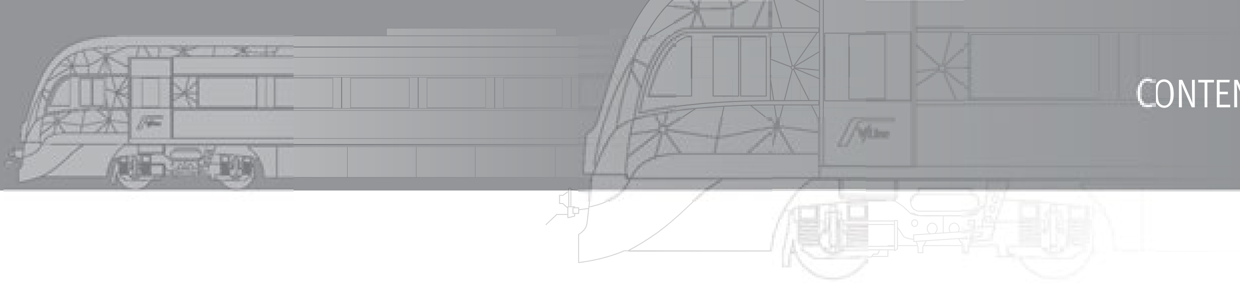
ANNUAL REPORT | 2014–2015

V/Line


6A
6A



CONTENTS

V/Line is Australia's largest regional public transport operator. In 2014-15, more than 15.04 million train and coach passengers trips were taken.

Every week, there are more than 1400 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

V/Line-branded coach services connect with the rail network and serve regional Victorian communities, where trains do not operate. Some coaches also travel to South Australia, New South Wales and the Australian Capital Territory. Private sector coach operators provide all V/Line coach services. In addition to being a passenger service operator, V/Line also provides access to and maintains 3420 kilometres of rail track used by passenger and freight rail services.

V/Line is a major employer with a workforce of 1586, many of whom live in regional Victoria.

About this annual report

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

V/Line Corporation is a not-for-profit corporation under the *State Owned Enterprises Act 1992*.

V/Line fulfils its contractual obligations under a service agreement with Public Transport Victoria.

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 2014 to 30 June 2015.

Vision

A connected and prosperous regional Victoria.

Mission

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

Values

Safety underpins everything we do

Think customer

Act with integrity

Raise the bar

Deliver as one V/Line

Strategic priorities and objectives

Strategic Priorities	Strategic Objectives
Safety and environment	Introducing a safety and environmental culture through a company-wide safety improvement program is our first priority.
Commerciality	Developing a business-wide program that focuses on improving productivity and effectiveness with all unnecessary costs removed.
Leadership and culture	Transforming our culture to one where our people are highly engaged and work together, to provide great service to our customers and look after each other to make V/Line a safe place to work.
Organisation effectiveness	Creating an organisational structure that ensures we're customer-focused, providing affordable, reliable and efficient services.
Operational excellence	Enhancing our customers' experience throughout their journey and positioning them at the centre of everything we do.

28 August 2015

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

and

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

Dear Ministers,

I have much pleasure in presenting the Annual Report for V/Line Corporation and V/Line Pty Ltd (V/Line) for the period 1 July 2014 to 30 June 2015.

Yours faithfully

J Dawson

Jennifer Dawson
Chair

CHAIR'S REPORT

The 2014-15 year was critical in positioning V/Line to deliver tangible results, in line with our vision to deliver a prosperous and connected Victoria.

In the past 12 months our CEO, Theo Taifalos and his executive team have achieved both the highest punctuality result in more than ten years, as well as the highest reliability result in four years. In January, V/Line achieved certification against the International Customer Service Standard (ICSS), making us the only Victorian state-owned enterprise to currently hold this certification. These achievements are a testament to the efforts of the V/Line team to deliver better services for our customers and stakeholders.

These customer-oriented improvements have been achieved at the same time that V/Line has been developing and implementing a targeted efficiency program, which to date has delivered more than $30 million in savings. V/Line has also cemented an improved procurement process and other governance arrangements that have been a focus of the business over the past few years. We have also introduced programs to ensure we retain this focus on continuous improvement and efficient operating arrangements.

These changes have been delivered in an environment, where we have maintained our commitment to safer work practices and a culture of 'safety first'. This is reflected in our continued record of significantly improved key safety indicators.

In June, V/Line started servicing the growing suburbs of Tarneit and Wyndham Vale using the newly completed $3.65 billion Regional Rail Link - the biggest change to the V/Line network in 10 years which saw a 30 per cent increase in V/Line's weekday services. At the same time we have been receiving new rolling stock at a rate of about one carriage per month, with a further 21 new carriages committed in this year's budget. To support this unprecedented growth we will continue to assess and finesse our performance, and identify and implement improvements to deliver the services our customers deserve and expect.

V/Line strongly supports the continued investment in regional rail and coach services. We look forward to being key contributors in the next phase of government planning activities to drive economic growth in regional and rural Victoria, which will culminate in the release of the Regional Network Development Plan and findings of the Regional Economic Development and Services Review in 2015-16. V/Line's focus over the past three years in improving our ability to deliver efficient, safe, customer-focused services, has well positioned us to deliver on the government's regional objectives for Victoria.

A predominantly new board has been appointed from June 30, 2015 and I would like to thank the retiring Chair Hector McKenzie and the former board members for their stewardship of the company during their tenure. The previous board should be rightfully proud of the achievements it has overseen.

In addition to the achievements mentioned above, the board, together with the management team have delivered:

- Significant improvements in our knowledge of our asset base and continued improvements in the processes and technology, necessary to achieve asset management excellence.
- The V/Line Customer Charter and a business model that puts the customer at the centre of everything we do – a focus which resulted in our ICSS certification.
- Above all, positioning V/Line as a trusted source of advice to Public Transport Victoria and our other government stakeholders – V/Line has never been better placed to advise on the service costs, network condition and investment options available to ensure delivery of customer service excellence.

The new board is excited to work with Chief Executive Theo Taifalos, his executive team and all V/Line staff to make V/Line Australia's best regional public transport provider.

I am confident that V/Line will build on its numerous strengths and continue to be a truly iconic company of which all stakeholders and the Victorian travelling public can be truly proud.

Jenny Dawson
Chair
V/Line

We strive to provide a safe, customer-focused railway that is committed to regional Victoria. That is our purpose, and our vision.

Over the past 12 months, V/Line has experienced increased patronage and delivered some of our best on-time performance. The entire organisation remains committed to delivering the highest level of reliability for all of our customers.

V/Line has also continued its journey towards becoming one of the top customer service organisations in the world. During the past year, we have taken this to a new level.

The response of all V/Line staff to the challenges of modernisation and revitalisation has led to some fantastic achievements. At the same time, staff members have demonstrated the utmost care for each other and our customers by ensuring safety continues to be our number one priority. It's an exciting time for V/Line and we're all looking forward to the next 12 months.

Change

A key factor in our transition has been the change management program, V/One. This has integrated several V/Line programs into the one system, helping us to streamline inventory management, accounts receivable, accounts payable, work orders, asset management, human resources, procurement, financials and back office functions.

Applications range from asset crews using handheld tablets to order work materials out in the field to the Human Resources team producing faster reports. Previously Human Resources staff may have spent four days creating an organisational chart, drawing information from three separate databases. Through this integrated system, it now only takes the click of a button.

We are creating a more efficient business by changing the way we work. The V/One system is a $14.6 million investment that will more than pay for itself, with benefits of $18 million over five years.

Safety

Our safety measures continue to improve for both staff and customers.

Staff injuries are measured by the Serious Injury Frequency Rate. We have moved from measuring Lost Time Injury Rate to this more critical measure because it provides a clearer indication of the number of staff injuries. Over the past 12 months, V/Line's staff injury rate has reduced by almost 30 per cent and continues to decline, which is a step in the right direction. The safety of our staff is absolutely paramount.

Like staff, one injury is too many when it comes to customers. There has also been a steady decline in customer injuries as we strive for zero tolerance. It's important our customers feel reassured that we take their safety seriously and will do everything we possibly can to keep them safe, when using our services. During the year, the number of customer incidents reduced by more than 15 per cent, where there were no pre-existing medical conditions.

A key measure for railway safety is Signal Passed at Danger (SPAD). V/Line's human factor SPAD rate for this year of 2.14 is now in line with leading practice in Australasia. This has been a focus for many staff within the organisation and will continue to be a priority.

Service

We are absolutely delighted that V/Line is now a certified Customer Service Organisation under the International Customer Service Standard. We are on a journey to being in the top five per cent of customer service organisations in the world. In January this year, we received an ICSS score of 5.2 which showed we are on the right track. To be ranked in the top five per cent, we need a score of more than seven and we are well on our way to achieving it.

V/Line is currently the only Victorian state-owned enterprise with certification against the ICSS.

Our commitment to the Customer Charter was a driving force behind our ICSS assessment. Everyone at V/Line is committed to the five charter elements of safe and secure, reliable, comfort, helpful and informative. These are the five factors that customers say matter the most and we report on them each month to demonstrate we're tracking in the right direction. The charter is at the centre of everything we do at V/Line, forming the basis of our decisions and how we deploy our resources. This will hold us in good stead, as we work towards our goal of being in the top five per cent of customer service organisations globally.

We recognise there is always room for improvement but we have achieved so much in the past year and it's something everyone at V/Line is very proud of.

Milestones

V/Line has worked with the Regional Rail Link Authority to commission the infrastructure and assets for the Regional Rail Link project. This includes new dedicated tracks into Southern Cross and the opening of two new stations at Wyndham Vale and Tarneit. The car park at each station has capacity for 1000 vehicles and there has been no shortage of new customers, using our services for the first time.

Since opening in June, we're seeing an additional 35,000 customer trips across the network each week. Managing that increase presented some challenges that affected performance. Thanks to the efforts of the V/Line team, we are starting to see some positive results and will continue to work on improvements.

V/Line has now taken delivery of 24 of the 43 new VLocity railcars, which are operating out on the network to help meet demand. We are also absolutely delighted with the announcement of a further 21 carriages in this year's budget.

In October last year, we also opened two new stations at Waurn Ponds in Geelong and Epsom near Bendigo. These stations have accommodated more than 50,000 customers since opening and construction has already started on another new station at Caroline Springs to cater for the growing community.

Financial performance

V/Line has met all financial key performance indicators, including a saving of $12.6 million over the past year.

The future

Our Customer Charter will continue to be a focus over the coming year. We will ensure we strive to meet the five commitments to our customers in everything we do. We will listen to their feedback and plan to go out again in early 2016, to ask future customers what they want from V/Line.

The next stage of V/One will also be rolled out, which will continue to benefit customers and staff while improving efficiency and our bottom line.

Our Health, Safety and Environment team is preparing to launch Destination Zero later this year. This is an exciting new program which is all about zero rail and coach incidents, zero harm to people and zero damage to the environment. All staff across the organisation will be involved because we all have a role to play when it comes to safety.

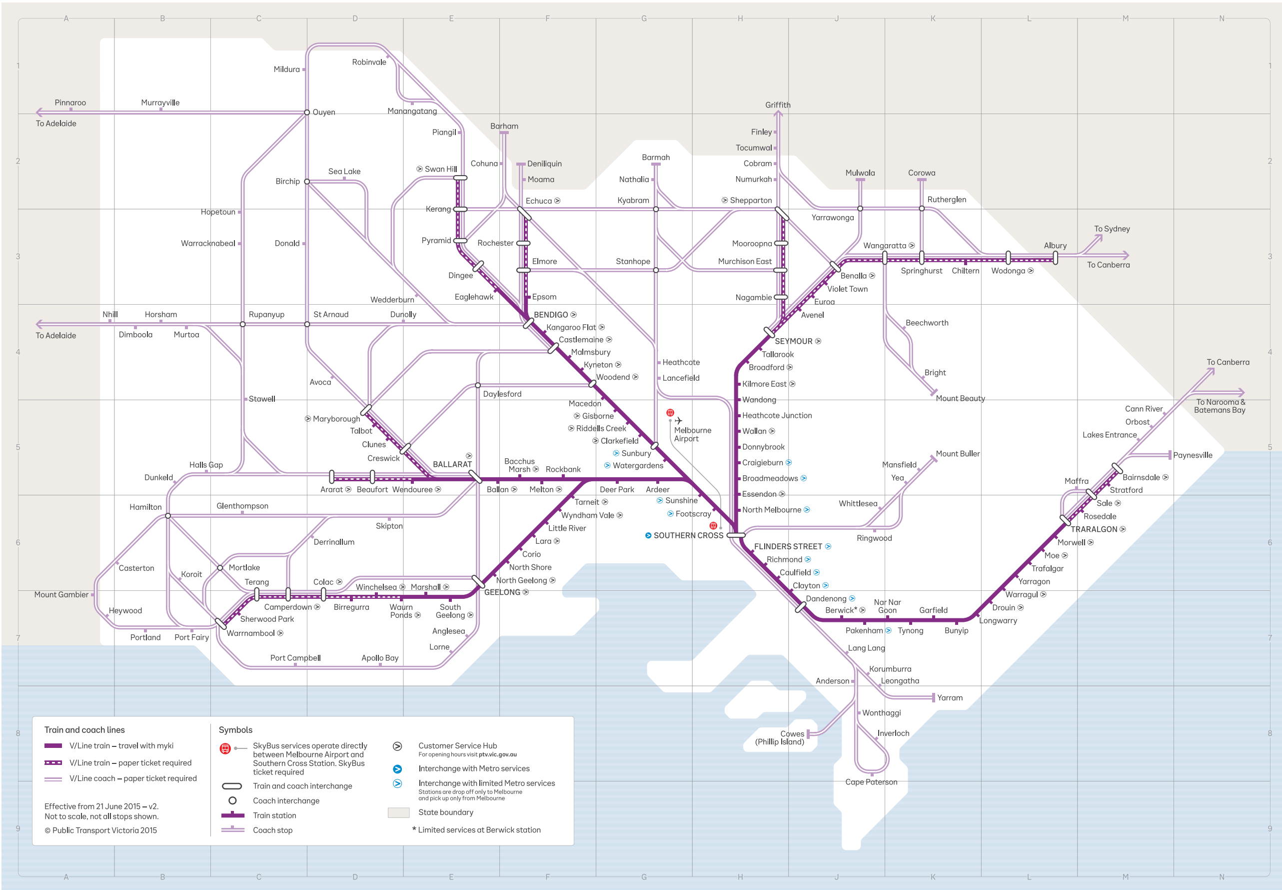
Our people will of course again be a priority. We will introduce presentation standards and a uniform refresh for staff, and continue our tailored customer service training. More than 400 staff members have already completed this training and it will soon be rolled out across the entire organisation.

Finally, we will continue to deliver value for our people, customers and stakeholders.

Acknowledgement

I'd like to extend my personal thanks to the previous board for all of its hard work and commitment to V/Line during its tenure. We have a lot to be excited about over the next 12 months and I look forward to working with our new Chair and Board of Directors, to deliver the next stage of V/Line's transformation.

Theo Taifalos
V/Line Chief Executive



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

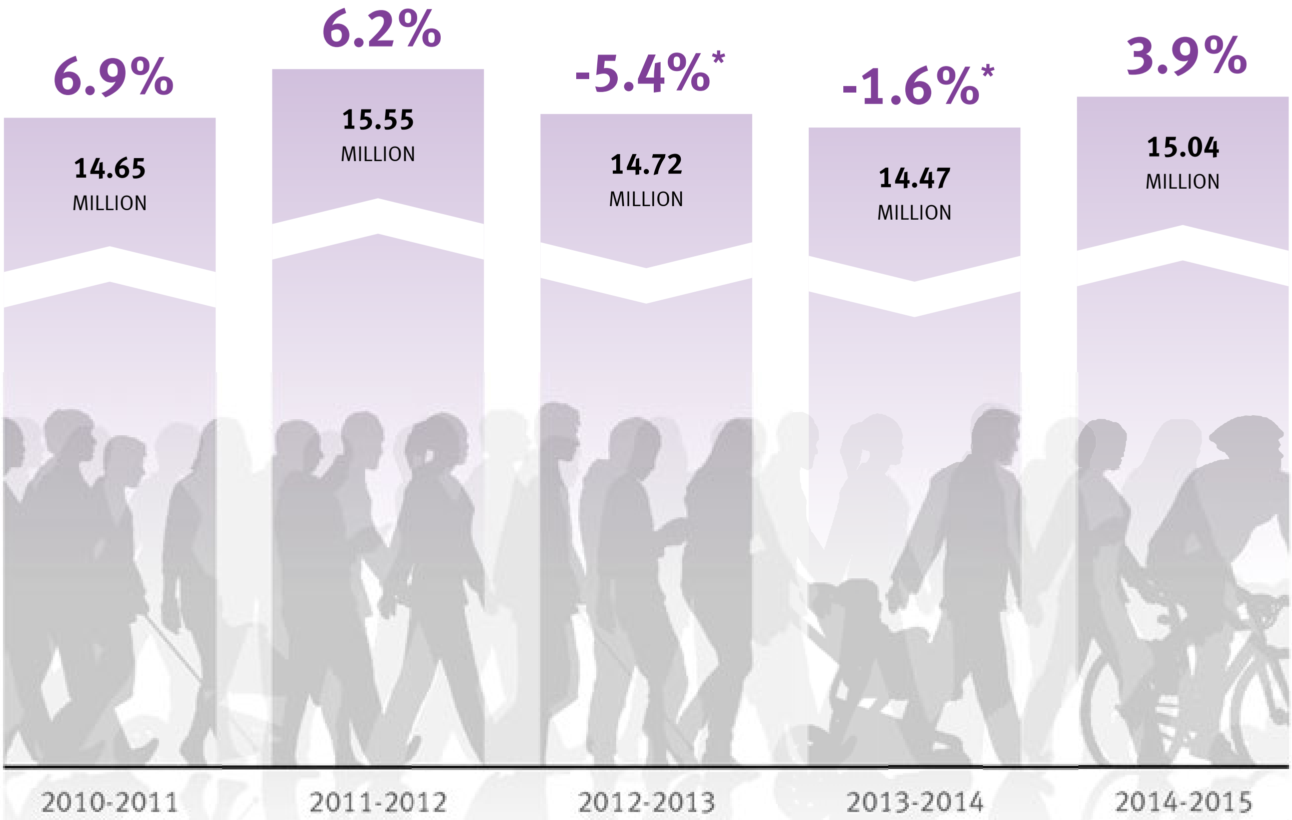
FACTS AND FIGURES

	2014-15	2013-14
Total customer trips (rail & coach)	15,041,553	14,474,749
Rail passenger trips	13,631,486	13,002,311
Coach passenger trips	1,410,067	1,472,438
Tickets sold	2,105,577*	3,123,870^
Farebox revenue	$101.245 million	$95.155 million
Farebox (% breakdown)	61% full fare	64% full fare
	39% concession	36% concession
Subsidy per passenger	$20.17	$19.48
Safety		
SIFR(Serious Injury Frequency Rate) = LTI (Lost Time Injury) and MTI (Medically Treated Injury) per million hours worked.	33.39	47.66
Customer incidents within our control per million passengers – requiring medical assistance (excluding pre-existing)	2.81	3.39
Signal passed at danger (SPAD per million km) – human factor	2.14	1.97
Fleet		
VLocity carriages	158	134
Locomotives	41	41
Loco-hauled carriages	133	133
Sprinters (single unit)	21	21
Stations		
	90	86
Customers		
Customer satisfaction index (Public Transport Victoria target is 68) – trains	71.9	70.4
Customer satisfaction index – coaches	77.1	74.5
Number of customer information enquiries	187,197	225,671
Number of customer feedback cases	11,783	12,419
Number of on-train consultation sessions with customers	10	11
Compensation paid to customers for V/Line not meeting on-time targets (complimentary ticket value)	$39,038	$63,764

** myki only available on commuter lines ^paper tickets and myki available on commuter lines*

	2014-15	2013-14
Employees		
Full-time equivalent staff	1477	1429
Total head count	1586	1516
Service Delivery		
Reliability overall (commuter and long-distance services, average monthly performance)	98.6	98.2
Reliability – commuter	98.6	98.2
Reliability – long-distance	98.7	98.2
Punctuality overall outside metro network (commuter and long-distance services on time to 5 and 10 minutes respectively, average monthly performance)	95.7	95.3
Punctuality – commuter on time to 5 minutes	89.4	87.5
Punctuality – long-distance on time to 10 minutes	91.3	87.6
No. of services run – commuter	58,731	55,222
No of services run – long-distance	12,923	12,501
Finance		
Total income	$618.8 million	$577.5 million
Total expenses	$621.9 million	$587.4 million
Income tax expenses	($1.0) million	($2.9) million
Net result	**($2.1) million**	**($6.9) million**

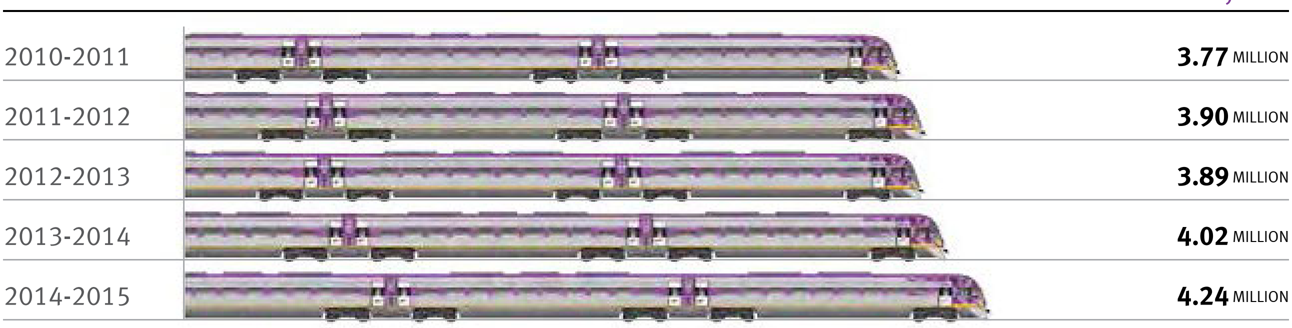
V/Line train and coach passenger trips over five years



* 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.

Train patronage by line

GEELONG 22.2% over five years



Train patronage by line (continued)

BENDIGO — -20.3% over five years*

2010-2011	**3.36** MILLION
2011-2012	**3.45** MILLION
2012-2013	**2.76** MILLION
2013-2014	**2.35** MILLION
2014-2015	**2.51** MILLION

BALLARAT — 19.1% over five years

2010-2011	**3.10** MILLION
2011-2012	**3.21** MILLION
2012-2013	**3.28** MILLION
2013-2014	**3.17** MILLION
2014-2015	**3.36** MILLION

GIPPSLAND — 6.8% over five years

2010-2011	**1.95** MILLION
2011-2012	**2.04** MILLION
2012-2013	**1.89** MILLION
2013-2014	**2.00** MILLION
2014-2015	**2.04** MILLION

SEYMOUR — 21.3% over five years

2010-2011	**1.32** MILLION
2011-2012	**1.40** MILLION
2012-2013	**1.40** MILLION
2013-2014	**1.46** MILLION
2014-2015	**1.48** MILLION

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

Safety

Safety underpins everything we do at V/Line. The Health, Safety and Environment (HSE) function drives organisation-wide HSE awareness, safe work practices and provides the oversight of the company's significant HSE risks.

The goal this year was to continue to deliver the 2014-15 to 2016-17 HSE Leadership and Engagement Program. This program included finalising the HSE functional structure to deliver improved capability. Areas targeted included the disciplines of risk management, human factors, audit and investigations. These changes further improve the foundations that support a safety culture, focused on continuous improvement and sustainable performance.

Initiatives under the HSE program include:

- Deployment of regional HSE resources, supporting field staff on ways to effectively discharge HSE obligations and increase understanding and management of HSE risk.
- Continuation of 'safety shares' in all meetings with three or more staff.
- A simplified incident investigation training program for frontline supervisors, which is designed to identify process or system errors and reduce the tendency to blame humans for error.
- Simplification and refinement of the risk management process and incident reporting.
- Refined and simplified incident reporting processes.
- Revitalisation of the Signal Passed at Danger Review Committee and the development of a SPAD mitigation strategy.
- Continuation of risk reduction programs including, the level crossing upgrade and closure program with a total of eight upgrades and three closures.
- Development of simplified, more effective HSE systems, processes and standards.
- Introduction of a high potential (HiPo) incident reporting category and associated deep investigation process, to learn from close calls and near hits.
- The integration of non-technical human factor elements into key decision-making processes and plans.

The two main measures for assessing safety performance are Serious Injury Frequency Rate (SIFR), which is a measure of staff injuries (lost time injuries and medical treatment injuries per million hours worked), and Signal Passed at Danger rate, which is a measure for rail safety performance.

Measure	YTD actual	YTD forecast	Variance	Performance to forecast
Staff Serious Injury Frequency Rate (SIFR)	33.93	48.00	14.07	29%
SPAD rate (human factor and technical)	5.2	6.00	0.8	13%

There were significant improvements in reducing security incidents experienced by staff during the year, with almost 70 per cent of conductors completing dispute resolution training. This training has proven to be very successful in providing staff with the skills needed to manage unruly customers.

The deployment of Protective Services Officers at various stations has also provided an additional layer of security that was not available previously.

Health and wellbeing

The need to focus on the health and wellbeing of staff was identified as a key part of the HSE Leadership and Engagement Program. Most V/Line staff members have largely sedentary roles and/or are shift workers. V/Line recognises that lifestyle is important to ensure optimum health in these situations.

During early 2015, work started on establishing a coordinated program to provide education and lifestyle choices for staff. The improved health outcomes will not only benefit staff wellbeing but will also assist in reducing potential incidents, related to fatigue and lack of fitness.

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 minimising its carbon footprint. In 2014-15, a fuel optimisation program started and as part of this initiative, V/Line switched to premium diesel for its entire fleet. Trialling of this fuel indicated a potential two per cent decrease in fuel consumption. It also has the potential to deliver greenhouse gas emission reductions of more than one million ‘black balloons’ (50 tonnes) per annum.

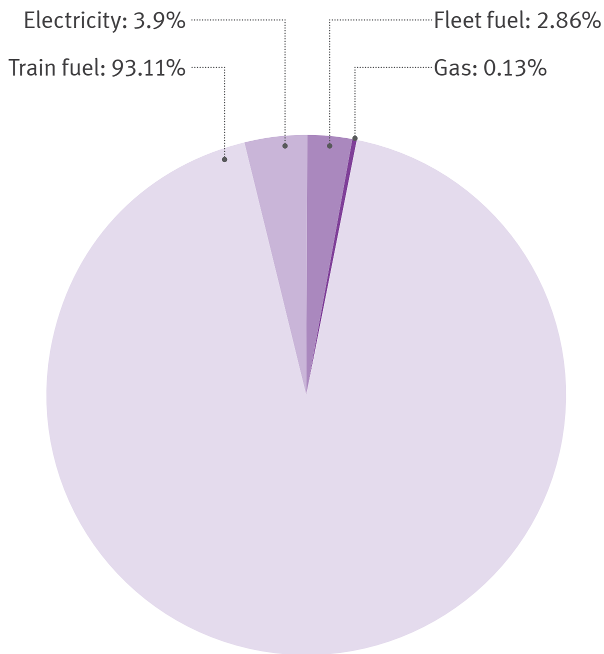
Our environmental performance is guided by an ISO14001 Environmental Management System.

In line with Financial Reporting Directive 24C issued by the Department of Treasury and Finance, V/Line where possible monitors and records its consumption of energy, water, paper and transport, as well as its output of waste and greenhouse gas emissions at its office-based operations. The results for 2014-15 are shown below.

Energy use and greenhouse gas emissions

The running of trains is the primary source of energy consumption at V/Line. The use of train fuel accounts for more than a billion mega joules of energy consumption, or around 90 per cent of our energy consumption. Other sources of energy consumption include the road vehicle fleet and the use of electricity and gas at V/Line sites. Electricity is used for internal and external lighting, heating, air-conditioning and operating office and plant equipment.

Energy consumption



V/Line’s target for energy use is to maintain energy use per carriage kilometre at or below the 2010-11 baseline.

Energy consumption has decreased to 2.01 per cent per carriage kilometre below the 2010-11 baseline and one per cent from 2013-14 usage.

Indicator	2014-15	2013-14
Total energy use (GJ)	1,373,743	1,277,682
Greenhouse gas emissions associated with energy use (tCO2-e)	109,526	102,466
Energy use / carriage kilometre (MJ / car km)	22.68	22.72
% change in energy use / carriage kilometre	1% decrease	

V/Line is required to report annually under the *National Greenhouse and Energy Reporting Act*. Reports can be found at vline.com.au.

Waste

V/Line produces a variety of waste types ranging from household waste and office waste to used sleepers, ballast, soil and train parts.

Initiatives

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

- Staff members are encouraged to reduce the amount of waste produced and use correct recycling practices. Measures to achieve this include signage and information on waste reduction and recycling, in toolbox talks and other communications.
- Services are available across the organisation to recycle printer cartridges, batteries and other waste electrical equipment.
- Recycling bins at head office are located in utilities, kitchens and break out areas on each floor.

Paper

V/Line recognises that paper use is an important environmental issue. Across the organisation, paper use per Full Time Equivalent (FTE) in 2014-15 decreased by 2.88 per cent against the 2011-12 baseline. At head office, paper use per Full Time Equivalent decreased by 0.75 per cent. Between 2013-14 and 2014-15 the drop in paper use was 17.5 per cent. This change can be attributed to the implementation of the security card system for printing. It's also due to a change in staff attitudes and practices regarding printing, including the introduction of more electronic systems. Future reporting will be based on data from the printer monitoring system, rather than from purchasing records.

Head office

Paper data for head office only is included in the table below.

Indicator	2014-15	2013-14
Total paper use (reams)	4,681	5,767
Paper use / FTE (reams / FTE)	21.78	26.45
% change in paper use / FTE	17.5% decrease	
Percentage of paper purchased with a recycled content above 50%	99.7%	96%

Initiatives

V/Line has taken the following actions to reduce the environmental impacts associated with paper use.

- All white A4 office paper purchased at head office is required to have a recycled content of 50 per cent or more, and 100 per cent recycled paper is encouraged (the table above includes coloured and A3 paper).
- A new printer monitoring system has been implemented. This allows the monitoring of paper and ink consumption, in addition to current data on paper purchased.

Water

Water is consumed at V/Line sites for many purposes including maintenance works, washing trains, kitchens, bathrooms, train watering and cleaning. V/Line's main water source is mains supply, although some locations are using tank or recycled water. Data on water consumption is based on invoices from water corporations.

Available water data has been used to extrapolate annual consumption for 2014-15. Water consumption per carriage kilometre increased by 40.95 per cent against the 2011-12 baseline and 10 per cent from the previous year. Since the baseline was set, the number of V/Line sites being monitored for energy consumption has increased by 39 per cent, as previously unmonitored sites were added to our utility monitoring and reporting system. As a result, this figure may not actually indicate a significant increase in consumption across V/Line sites. A new baseline for water monitoring will be set for 2015-16.

Indicator	2014-15	2013-14
Total water use (kL)	77,726	64,619
Water use / carriage kilometre (L / carriage km)	1.28	1.15
% change in water use / carriage kilometre	11.3% increase	

Transport

As a state-wide transport operator, V/Line requires its staff to travel to all parts of Victoria. Staff members where possible, use our train or coach services to attend regional meetings but a vehicle fleet (including track machinery) is still required.

The following table shows energy used by vehicles in V/Line operations. V/Line has a shared vehicle fleet for the whole business. V/Line does not monitor air travel or how employees commute to work.

Indicator	2014-15	2013-14
Energy use (GL)	77,726	64,619
Diesel	37,948	50,338
Petrol	1,051	1,870

Initiatives

V/Line has also switched to low emission vehicles when replacement is required.

Environmental regulation and performance

V/Line's operations are subject to various environmental regulations under both Commonwealth and State laws. We take active steps to improve our environmental management systems and internal procedures, to help discharge its obligations under these laws. In 2014-15 there were two incidents of alleged vegetation disturbance, with V/Line managing remedial plans with the Department of Environment, Land, Water and Planning (DELWP).

A Clean Up Notice was issued in June 2015 under section 62A of the *Environment Protection Act 1970 (Vic) (EPA Act)* relating to legacy contamination at a site in Ararat. This notice replaces the original notice issued in 2008. V/Line is revising the clean-up plan for the site.

CUSTOMERS

V/Line's journey towards delivering an improved customer experience has gained momentum on several fronts over the past 12 months.

To support the transition, V/Line has aligned business processes to the International Customer Service Standard (ICSS: 2010-14). After assessment against the standard by the Customer Service Institute of Australia, V/Line was certified as a customer service organisation in January 2015.

This puts V/Line in a strong position to achieve its aspirational goal of being in the top five per cent of customer service organisations globally.

Patronage growth

In 2014-15, V/Line served 15.04 million train and coach customers.

This is 3.9 per cent more than the 14.47 million customers served during the same period in 2013-14. The overall increase can be attributed to improved reliability and a reduction in the number of disruptions due to track works in 2014-15, compared with 2013-14.

Train patronage has increased on all corridors with Geelong recording 4.24 million trips, Ballarat 3.36 million, Bendigo 2.51 million, Gippsland 2.04 million and Seymour 1.48 million.

The Geelong line had the biggest rise, with an extra 225,000 trips, boosted by the opening of Waurn Ponds station in October. The Bendigo line was also boosted with the opening of Epsom Station in October, whilst the Seymour line received a new early morning train service from Shepparton to Melbourne on weekdays.

Customer satisfaction

V/Line's customer satisfaction rating on average for 2014-15 was 71.3, compared with 69.7 for the same period in 2013-14, an increase of 2.3 per cent. The score, as measured by Public Transport Victoria, in the April-June 2015 quarter of 72.0 was the highest since the quarterly result in January-March 2012.

Customer service strategy

As part of our customer service strategy to enhance passenger and freight services, the V/Line Customer Charter was publicly launched in August 2014.

To reassure customers that we are responding to their expectations, V/Line reports each month on the key aspects of the charter:

- Safety and security – has consistently been ahead of our target of 78.0. For the April-June quarter, a score of 80.5 was the highest result since the introduction of the Customer Satisfaction Monitor. The average of 79.3 for this measure this year compares with an average of 78.7 for the same period last year.
- Reliability – on time running has been short of the target of 92.0, with a high of 91.4 in January 15. Percentage of services delivered has tracked ahead of target (96.0) for the entire year, averaging 98.6.
- Comfort – is based on two measures: Satisfaction with design and comfort and satisfaction with cleanliness. Design and comfort has averaged 76.3 for this year, which is equal to the result for the same period last year. The high of 77.7 in the July-September quarter 2014 was the best score since April-June 2011. Satisfaction with cleanliness has averaged 79.2 this year, ahead of the target of 78.5, and ahead of last year's average of 79.1. The score of 80.4 in the July-September quarter was the highest since January-March 2010.
- Helpfulness – has been tracking ahead of the target of 85.3 for the year. The average of 86.0 compares with 86.3 for the same period last year.
- Information – This year the average notice to customers of disruptions due to planned improvement works was 10.5 days, against a target of 14 days (achieved in two months).
- Customer satisfaction dashboards help all V/Line functions see how they are tracking and where they need to focus their efforts.

A customer service improvement program captures and implements ideas from frontline staff, to enhance the customer experience. Initiatives included better promotion of the Family Traveller ticket, improved station signage including braille at selected locations, a better Canberra coach connection with trains at Traralgon, bicycle storage facilities and additional public address speakers at several stations.

Customer feedback and consultation

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

Our in-house team acknowledged 81 per cent of customer feedback within seven days, up from 79.7 per cent last year; and closed 74 per cent of feedback cases within 10 days, up from 69.4 per cent in 2013-14.

The Public Transport Victoria call centre took 187,197 calls relating to V/Line for the year. These calls ranged from timetable enquiries to lost property, ticketing enquiries to complaints, compliments and general comments from customers and the community.

In addition, V/Line's website offers an online feedback form and comments received on social media are logged and provided to managers where appropriate.

An innovation this year was bi-monthly Meet the Managers sessions at Southern Cross Station, complementing the traditional on-board consultations where managers talk to customers on selected peak trains. A summary of issues raised during Meet the Managers sessions are published on our website.

Customers are eligible for compensation (a complimentary ticket) when train performance targets are not met and may also be compensated when they experience a delay of 60 minutes or more. This year, the combined value of customer compensation was $55,167.21, compared with last year's total of $91,750.79

People Moving People

The vital role of V/Line in the lives of Victorians was captured in our *People Moving People* campaign.

This was an internal and external communications campaign to highlight that V/Line is more than a public transport operator getting trains from A to B; it's about people moving people.

With short videos capturing a day in the life of several V/Line customers, our employees gained an insight into how their roles affect real people.

The external campaign across regional radio, press and social media featured V/Line staff talking about how their work can make a customer's day.

Post-campaign research found 80 per cent of customers agreed that "V/Line cares about who you are and what you need as a customer," and that the campaign had made it more likely that they would approach a staff member for assistance.

To back this up, a special *People Moving People* customer service training program has been delivered to more than 400 customer-facing staff. Using the internationally-renown *Mary Gober* method, the training advocates the use of positive language in responding to customers. The training will be delivered to the rest of the V/Line team in 2015-16.

The *People Moving People* customer service incentive program was launched to frontline staff. This program recognises employees who deliver exceptional customer service in line with the Customer Charter.

Customer communication

In line with our charter, customers have told us it is important that V/Line keeps them informed during planned and unplanned disruptions.

To enhance the flow of information to customers, stations have been provided with iPads so staff can monitor incident updates and train locations.

Digital screens have been installed at 42 staffed stations around the state to display service information and safety messages.

The channels used to communicate with customers include:

- posters at stations
- flyers
- V/Line website
- digital screens at staffed stations
- advertising in local newspapers
- announcements on board trains and at stations
- SMS and emails to customers subscribed to the Inform service
- social media

During unplanned disruptions, customers are kept informed in real-time via the MyLine app, Twitter, SMS and emails, as well as announcements on board and at stations.

CUSTOMERS

Digital communications channels

As part of our customer communication strategy, V/Line has harnessed a range of digital and social media platforms to enhance our two-way communication channels.

In the past year, the number of people following V/Line on Twitter increased by 26 per cent to 17,280. The primary function of our Twitter accounts is to provide service updates to customers.

The V/Line Facebook page reached a new high of 22,029 followers, up by 17.29 per cent during the year in review. Over the 12 months our posts were read 2.1 million times. Facebook is used to promote our services, community partnerships and important news from Public Transport Victoria. The Customer Communications team also provides answers to customer questions.

The Customer Communications team has achieved a significant improvement in the number of queries responded to within 30 minutes (up from 53 per cent to 68 per cent) and the overall time taken to respond to queries (408 minutes down to 139 minutes).

During 2014-15, V/Line started using the popular photo-sharing social network Instagram to publish images and videos.

The My Line mobile app was downloaded to 27,375 devices during the year, compared with 33,644 in 2013-14.

The V/Line website had a total of 4.15 million visits, compared with 4.26 million the previous year.

Accessibility Action Plan (AAP)

It was a year of significant progress with implementing our Accessibility Action Plan. Building on this, the plan for the next three years has been drafted and circulated to stakeholders for review.

Achievements during the year included:

- Disability awareness training – all frontline staff have completed Scope's *See the Person* disability awareness training.
- Partnership with Travellers Aid – in partnership with Travellers Aid and locally-based group Community AccessAbility, V/Line reintroduced the buggy service at Seymour Station.
- Communication Access Symbol accreditation – phase two of the project has equipped staff to successfully interact with customers, who have a communication difficulty. A series of communication tools were piloted along the Geelong line and at Southern Cross Station. These locations are now Communication Access Symbol accredited.
- Community Accessibility Forum – the second annual forum was held in December 2014, with more than 60 people in attendance. It identified areas of focus for the next three years to inform our new Accessibility Action Plan.
- Designated waiting areas on platforms – the Boarding Assistance Zone was rolled out across the V/Line network. The zone is a designated waiting area on the station platform for customers who need assistance.
- Station upgrades – a total of 21 regional stations have received upgrades to improve accessibility through the Public Transport Victoria-funded Disability Discrimination Act program. Projects both large and small delivered tactiles and surfacing, toilet facilities and improvements to access paths.

Community outreach

During 2014-15 our community outreach activities continued to provide support for country communities.

Our partnership with the Beacon Foundation has enabled the continued delivery of V/Line Life Training, an educational and motivational program for young people growing up in country Victoria.

V/Line also maintained strong ties with Travellers Aid by supporting the Medical Companion Service and other initiatives.

Our long-term partnership with the Doxa Youth Foundation enabled hundreds of primary and secondary school students to travel by train to camps in Melbourne and Malmsbury.

The partnership with AFL Victoria Country reached all parts of the state through the successful V/Line Umpire Academies and the V/Line Cup. The 2015 championship will be held in September in Gippsland, which is the first time it'll be staged outside of Melbourne.

V/Line often teams up with the Country Fire Authority for campaigns and initiatives for regional communities. V/Line has donated more than $12,500 to the Country Fire Authority as the result of two staff engagement surveys. These funds contribute to buying vital equipment for crews across the state and it's something V/Line is very pleased to be part of.

The Stationeers program, through Keep Australia Beautiful continued to support beautification activities at our stations.

During the first part of 2015, V/Line reviewed its community-focused activities and will move to a decentralised model during 2015-16. This is aimed at increasing staff engagement and local ownership of V/Line's community support.

Marketing

In 2014-15, there was a significant change in V/Line's marketing strategy. A new, more customer-centric focus shifted the attention from tourism and partnerships, to the customer experience. While this new direction was progressively implemented, V/Line partnered with more than 80 events and attractions accessible via the V/Line network.

Co-branded campaign partners included Bendigo Art Gallery, National Gallery of Victoria, Australian Centre for the Moving Image, Melbourne Museum and Melbourne Zoo. Other campaigns encouraged travel with V/Line to Sovereign Hill in Ballarat, country racing and AFL matches.

Industry Awards

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

At the Regional Victoria Living Expo in May 2015, V/Line won hearts, minds and an award as 'Best Commercial Exhibitor' for exceptional customer service and detailed knowledge of regional Victoria.

Customer Service Institute of Australia awards:

- **Customer Service Professional of the Year** – Inez Phillips, Conductor – state and national winner.
- **Customer Service Team of the Year** – Morwell Station team members Daryl Smith, Martin Zweytzer, Charlie Grande, Stuart Bailey and Peter Middleton – state winner
- **Contact Centre Manager of the Year** – Amanda Edsall, Customer Feedback Manager – state winner
- **Customer Service Project of the Year** – V/Line Customer Communications Improvement Project – finalist

Australasian Rail Industry Awards:

- **Individual award** – Amanda Edsall, V/Line Customer Feedback Manager

Campaigns with a media spend more than $150,000

V/Line did not undertake any adverting campaigns in the reporting period that involved a media spend of $150,000 or greater.

V/Line has continued to develop and implement strategies to support a three-year business and culture change program. The focus has been on establishing a culture with an emphasis on safety, customer and working as one team. A key outcome during 2014-2015 has been the implementation of strategic people initiatives that support this program.

Major achievements for the strategic people initiatives included:

Creating and maintaining a high performance culture

- Continuing to implement a flexible learning and development model. This includes the development and implementation of new e-learning modules, such as Safety Access the Rail Corridor (Track Safety Awareness Level 1), Equal Employment Opportunity, Working at V/Line and the Conductor Continuation Program
- Completion of a major refresh of the induction program for new starts. This incorporates modules on company culture, workplace behaviour and fatigue management, along with presentations from the Chief Executive and members of the Executive Leadership Team about V/Line's strategic vision.

Building an engaged workforce

- Completing a staff engagement survey in July 2014 resulted in a 56 per cent engagement index score. This was followed by a full engagement and alignment survey in June 2015, which resulted in a 53 per cent engagement index score.
- Facilitating the development of manager engagement plans to address key issues identified in the July 2014 survey.
- Launch of a new staff recognition program.
- Developing and implementing new training programs, including People Moving People, Identifying Customer Needs and Professional Standards and Governance.
- V/Line's Learning and Development team received two gold, one silver and two finalist awards for the Learnx Best Learning Reward Program. This program recognises the achievements of innovative learning organisations.

Building a fit-for-future continuous improvement organisation

- Implementation of the new V/One system, which incorporated new human resources modules for e-recruitment, employee data, medicals and performance.
- Development of the industrial relations strategy and principles for the 2015 Enterprise Agreement.
- Facilitated the Regional Rail Link recruitment and training of about 110 new V/Line employees.
- Facilitated and supported restructures in Health, Safety and Environment, Business Services, Human Resources, Service Delivery, Customer and Asset Management.
- Implementation of absenteeism management and a reduction in excess annual leave frameworks.
- Extension of the V/Line Registered Training Organisation (RTO) accreditation to include Certificate III in Infrastructure.
- Sourced more than $200,000 RTO funding by accessing traineeships and other funding.

Developing our leaders for the future

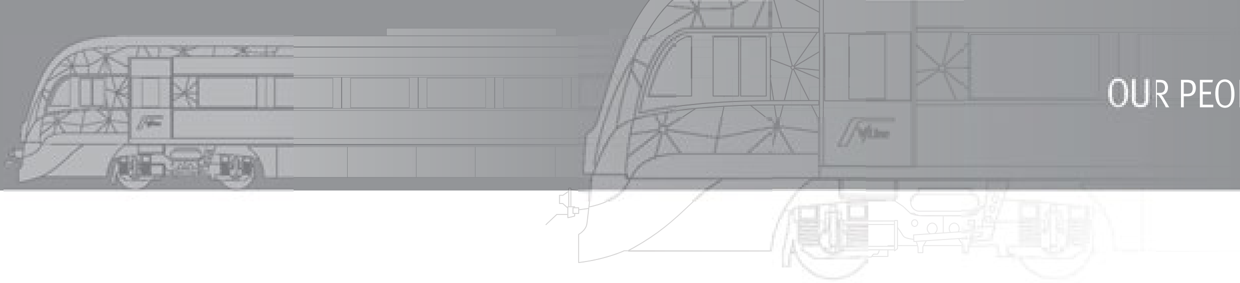
- Launch of a new values-based leadership program.
- Refinement of our talent management and succession planning framework.
- Completed succession planning for the Executive Leadership Team and other key roles.

Building a diverse talent pipeline

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

Employment and conduct principals

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



Employee snapshot

Headcount	30 June 2015	30 June 2014
V/Line Skill Group		
Executive	8	8
Operations#	0	48
Station staff	277	254
Conductors	244	220
Train drivers	384	365
Authorised Officers	7	12
Infrastructure maintenance	163	184
Signals and communications	73	57
Train controllers	55	51
Network services#	113	67
Other staff (Skill group not mentioned above)	262	250
Total	**1,586***	**1,516**

*During the financial year, V/Line increased services by 30 per cent on weekdays. Additional staff members were required to meet that increase.

Positions previously under Operations have been moved to Network services.

	30 June 2015	30 June 2014
Ongoing employees		
Employees (headcount)	1586	1462
Full-time (headcount)	1477	1377
Part-time (headcount)	109	85
Full Time Equivalent	1544.3	1428.7
Fixed-term and casual employees		
Headcount	98	54
Full Time Equivalent	93.3	50.8
	Ongoing, fixed-term and casual employee (headcount)	**Ongoing, fixed-term and casual employee (headcount)**
Gender		
Male	1344	1280
Female	242	236
Age		
Under 25	32	34
25-34	240	222
35-44	320	297
45-54	506	503
55-64	428	407
Over 64	60	53

SERVICE DELIVERY

Operations

V/Line operated a total of 71,654 train services and 65,104 coach services in 2014-15. Long distance services accounted for 12,923 of these and commuter line trains were 58,731. This represented a combined increase of 5.8 per cent on the previous year.

Performance

An ongoing focus on performance has delivered service improvements across the network for customers.

V/Line's on-time performance remained above target and peaked at 91.4 per cent in January, which was the highest result in more than a decade. In October last year, 99.4 per cent of scheduled services were delivered which was the highest result in more than four years.

Reliability of commuter services improved to 98.6 per cent, up from 98.2 per cent the previous year. This exceeded the 96 per cent target set by Public Transport Victoria. Reliability of long-distance trains also improved to 98.7 per cent, up from 98.2 per cent.

Punctuality of commuter services improved to 89.4 per cent, which was an increase from 87.5 per cent the previous year. On-time performance of long-distance trains improved to 91.3 per cent, up from 87.6 per cent.

In total, punctuality for both commuter and long-distance trains across the V/Line network was 95.7 per cent and this was an overall increase of 0.5 per cent. This figure refers to the track that V/Line controls (up to the metropolitan boundary).

A focus on performance on a daily and weekly basis, along with the development of visual management reporting, has delivered service improvements for customers over the past 12 months. This will continue to be a priority for the Service Delivery function for the year ahead.

Improvements

The Regional Rail Link has been the biggest change to the V/Line network in 10 years and the Service Delivery team played an integral role in the project coming to fruition.

Service Delivery led V/Line's operational readiness for the Regional Rail Link, with a significant amount of work done over several years in the lead up to the official opening on June 21.

The project involved the construction of 90 kilometres of new track and two new stations along the Geelong line, with Service Delivery responsible for implementing an extensive driver training program to more than 100 staff.

Since the official opening of the Regional Rail Link and the introduction of a new timetable on June 21, there has been a 30 per cent increase in V/Line services on weekdays.

During 2014-15, Service Delivery continued to ensure that plans were in place to deal with the impact of extreme heat during summer. When the temperature reaches 36 degrees, trains need to travel at a slower speed for safety reasons. Our summer readiness plan ensures the team is well prepared and can communicate to customers in advance. This year 72 trains were disrupted between December 2014 and February 2015 due to heat, which was well down on the 143 for the same period in 2013-14. V/Line will once again closely monitor conditions across the state this summer to ensure we get customers to their destination safely and on time.

Ongoing monthly forums between V/Line and the Australian Rail Track Corporation have delivered improvements in performance in both reliability and punctuality on the Albury line over the past year.

A number of business initiatives to deliver efficiencies were successfully implemented. One of the main contributors was a new procedure for replacement coaches when trains are disrupted. This was successfully implemented without impacting customer satisfaction.

GPS train monitoring continued to be developed and made available. Staff can now use an app on iPhones, iPads and computers to provide real-time information on train locations. This app is currently used for internal purposes to help staff provide information to customers.

A 24/7 security monitoring facility was implemented ahead of the opening of the Regional Rail Link in June. It forms one part of a larger network support centre program, aimed at providing security and incident-related communication to staff and customers.

Security and emergency management

The Security and Emergency Management team implemented a number of initiatives, to improve security and emergency response capabilities across the network.

V/Line graffiti costs Victorian taxpayers $400,000 in cleaning and train replacement coaches each year. A dedicated canine security unit to patrol train stabling yards and infrastructure was introduced, with a particular focus on deterring and identifying graffiti vandals. Patrols were initially conducted at locations with a history of vandalism such as Geelong, Ballarat, Seymour, Kyneton and Echuca.

The first Emergency Management Team (EMT) training program was conducted to better equip managers and supervisors to respond to critical incidents. This included regional managers, regional driver supervisors, conductor service managers, and track and signal maintenance supervisors.

Further staff training in V/Line emergency response procedures was provided in collaboration with emergency services, including Victoria Police, Metropolitan Fire Brigade, Country Fire Authority and the State Emergency Service.

The training program was also expanded to include contingencies for new Regional Rail Link infrastructure and services. Comprehensive planning and emergency exercises focused solely on the Regional Rail Link and were also performed with emergency services, Metro Trains Melbourne and the Australian Rail Track Corporation.

Other security and emergency management initiatives included:

- Working with Victoria Police to complete targeted deployment of Protective Services Officers to Geelong, Melton, Deer Park, Ballarat and Bendigo.
- Instituting a regional policing forum across Victoria, focused on security at stations and the prevention of vandalism and theft. This has resulted in a significant increase in police presence and patrols carried out on V/Line premises.
- Assisting Metro Trains Melbourne with its emergency management processes and training, to better align the two rail networks.
- Implementing a new security and safe working lock system across the regional and metropolitan network, to boost safety and security of staff and assets.
- Upgrading physical security systems and programs including closed-circuit television, access control systems and fencing.

Fleet

In May 2015, the Victorian Government announced it would boost V/Line's existing order of rolling stock with train manufacturer Bombardier. An additional $257 million for 21 extra carriages and a maintenance centre at Waurn Ponds was included in this year's budget, on top of the existing order for 43 new VLocity railcars.

V/Line has now taken delivery of 24 of the 43 new VLocity railcars, which included eight three-car sets and 19 single cars. The 19 single cars are currently being combined with existing two-car trains to make three-car sets. This will complete the conversion of the VLocity fleet into a uniform three-car configuration, totalling 59 sets. The new VLocity carriages helped support the opening of the Regional Rail Link and increased services that resulted. During the year the Geelong stabling yards have also been expanded to cater for the extra carriages.

The VLocity units travelled an average 141,814 kilometres between faults during 2014-15 against a target of 130,000 kilometres travelled in 2013-14 and 130,363 kilometres travelled in 2012-13. This represents an 8.1 per cent reliability improvement over the three-year period.

The availability of VLocity carriages during scheduled service periods, otherwise known as average availability, was 94.8 per cent. This was an increase from the 90.3 per cent in 2013-14. The improvement in average availability for the past three years is supported by an increase in preventative maintenance regimes.

This year, Sprinters travelled an average of 38,753 kilometres between faults against a target of 30,259 kilometres. Average availability of Sprinters improved to 99.82 from 88.8 per cent in 2013-14. This was due to a change in the maintenance regime.

Carriage performance also improved, with vehicles travelling an average of 152,329 kilometres between faults against a target of 130,000 kilometres and compared with 117,820 in the previous year, which is a 22.7 per cent increase.

Average carriage availability was 99.8 per cent, up from 82.4 per cent the previous year.

Locomotives travelled an average of 30,344 kilometres between faults against a target of 29,692 kilometres compared with 24,993 kilometres in 2013-14. This represents a 17.6 per cent increase. Average availability was 99.38 per cent compared with 78.6 per cent in the previous year.

Infrastructure

It was a year of considerable activity and achievement as V/Line progressed and completed several infrastructure projects, along with its alignment to the international standard of Asset Management ISO 55000.

The establishment of an Enterprise Asset Management Framework (EAMF) was a key building block in aligning the organisation to ISO 55000 and has resulted in a number of initiatives being rolled out.

The EAMF brings together the critical elements of the V/Line Asset Management System, showing the relationship between the corporate objectives of V/Line and the resulting Asset Management policy, strategy and plans. It also gives effect to the four enabling elements of V/Line Asset Management:

- Asset knowledge and information
- Culture and people
- Process and procedures
- Decision making tools

The most significant initiative supporting the EAMF is V/Line's project to replace its current Enterprise Resource Planning (ERP) and its Enterprise Asset Management Systems (EAMS). The objective of this project was to deliver an integrated Tier 1, midsize business, EAM/ERP solution that would drive efficiencies and productivity improvement across the organisation based on best practice.

An integrated EAM/ERP systems solution allows the full support of V/Line's Corporate Strategies and provides V/Line with a technology platform, which will deliver significant improvement in efficiency and productivity while supporting the Enterprise Asset Management Framework.

The solution chosen by V/Line was Oracle JDE and the system went live on 1 July 2015. The new V/One system will support V/Line's Asset Management Framework by housing and driving the information necessary for the V/Line Asset Management Strategy, the Network Asset Management Plan, Technical Maintenance Plans and the Annual Works Program.

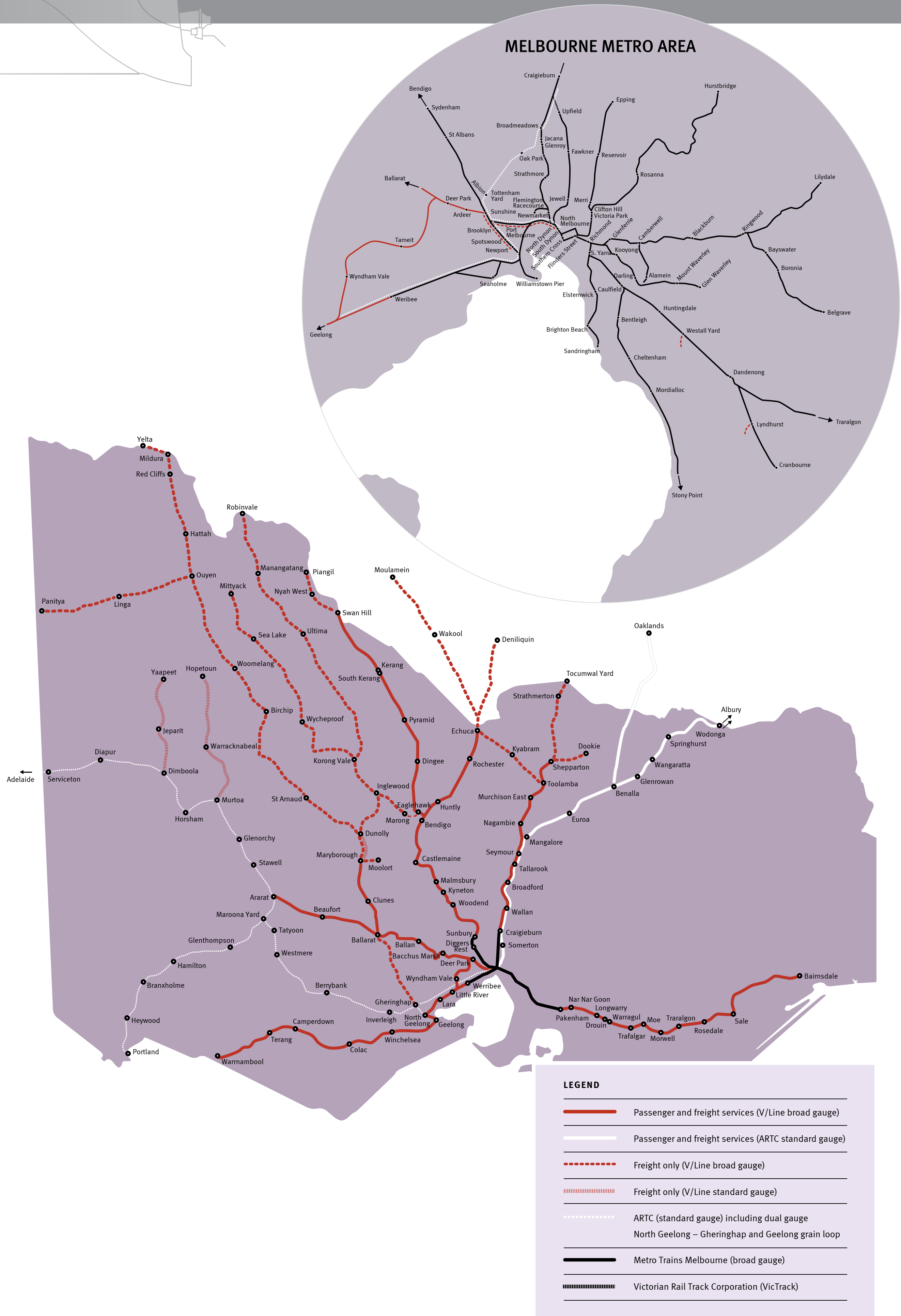
To further support the needs of Asset Management, the following structural changes were made:

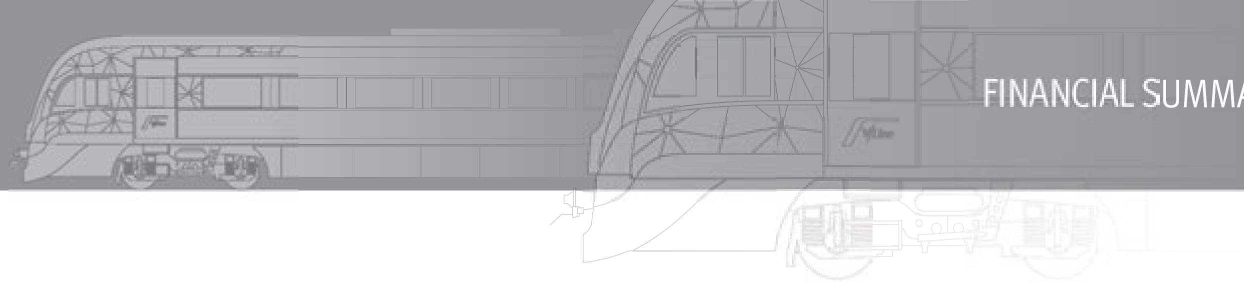
- The establishment of a dedicated planning and scheduling team responsible for programing asset works and associated occupations three years in advance.
- The establishment of a dedicated track condition assessment and inspection team, who continuously monitor and update asset condition and review the effectiveness of the technical maintenance plans.
- The establishment of shift asset managers, who coordinate day of operation tactical responses and ensure failure information is collected for the purposes of route cause analysis.

The 2014-15 year also saw the delivery of significant major infrastructure renewals. A record $78 million worth of major periodic maintenance works were carried out. This included track repairs, sleeper replacement, repairs to bridges and level crossings, and public safety improvements at pedestrian and road crossings.

There was a major government announcement about the Murray Basin Rail Project, which was allocated up to $220 million in this year's budget. The project will provide the infrastructure to support the economic development of regional Victoria through a more efficient rail network, moving more produce from the north of the state to the ports. The project will standardise and increase the axle loading of freight rail lines in the Murray Basin region. To date V/Line has completed $15 million of the initial works for the project.

VICTORIAN RAIL NETWORK MAP





V/Line reported a $2.1 million loss after income tax for the year ended 30 June 2015, compared with a $6.9 million loss after income tax in the previous year.

The net cash flow from operating activities was $27.3 million, with a net increase in cash of $12.3 million.

Total income increased by $41.3 million. A significant contributor to this result was the full year impact of franchise support for V/Line-branded coaches and funding support, including the introduction of the Regional Rail Link and new VLocity railcars.

In addition, farebox revenue rose $6.1 million due to average fare increases in January 2014 (2.3 per cent), January 2015 (4.6 per cent) and growth in patronage trips of 3.9 per cent.

A number of operational issues resulting in disrupted services, have impacted on the financial performance of V/Line over the past year. These issues included:

- The 22 August 2014 collision near Altona between a V/Line train and Metro train.
- The closure of the Morwell River Bridge in October 2014 to undergo immediate repairs, resulting in coach replacements.

Maintenance costs of the VLocity fleet, locomotive fleet and Sprinter fleet increased $7.9 million over the period, due to the introduction of new VLocity carriages and Regional Rail Link.

Infrastructure maintenance expenses rose $10.5 million due to increased renewal works, and State Government project expenses fell $14.8 million.

The management of the V/Line-branded road coaches transferred from Public Transport Victoria to V/Line, effective 1 January 2014 with the full year expense impact being $18 million.

Diesel fuel expense for the year ended 30 June 2015 reduced by $6 million, compared with the previous year due to lower fuel price.

Details of consultants over $10,000

Non-project related				
Consultants	Purpose of consultancy	Total approved project fee (excluding GST) $'000	Expenditure 2014-15 (excluding GST) $'000	Future expenditure (excluding GST) $'000
Partners in Performance International	Initiative program review and implementation	2,482	2,482	0
RSM Bird Cameron	Internal audit and risk management services	558	393	165
Barrington Centre Pty Ltd	Employee assistance program and training	393	205	188
Willis Australia Pty Ltd	Workers compensation services	341	164	177
Wildermuth Consulting	Transformation program support services	113	113	0
ACIL Allen Consulting Pty Limited	Consultancy services	158	79	79
Kinsley Group Pty Ltd	Professional engineering services	73	73	0
Adventbalance (NSW) Pty Ltd	Legal secondment services	67	67	0
Aurora Management Consultancies P/L	Consultancy services	60	60	0
Ernst & Young	Internal audit and risk management services	52	52	0
Wes Gordon Consulting	Training services	46	46	0
Mills Oakley Lawyers	Legal advice	42	42	0
Herbert Smith Freehills	Legal advice	30	30	0
RAAB Consulting	Transformation program support services	30	30	0
Envoy Advanced Technologies Pty Ltd	ICT strategy advice	26	26	0
Strategic Momentum Pty Ltd	Facilitation of high performance team process	24	24	0
TTG Transportation Technology Pty Limited	Consulting services	22	22	0
Australasian Railway Association Inc.	Professional fees	19	19	0
Halcrow Pacific Pty Ltd	Professional engineering services	19	19	0
Value Edge Consulting	Recruitment services	19	19	0
Inframanagement Pty Ltd	Rail crossing safety assessments	17	17	0
Capability Network Pty Ltd	ROMS preliminary assessment	17	17	0
Platform Communications Pty Ltd	Employee engagement survey focus group facilitation	16	16	0
Grant Thornton	Audit services and procurement support services	12	12	0
Cullaborate Pty Ltd	Conducting an audit against the complaints standard AS 10002	12	12	0
		-		0
	TOTAL	4,648	4,039	609
Below $10K		Nil	78	Nil

Project Related				
Consultants	Purpose of consultancy	Total approved project fee (excluding GST) $'000	Expenditure 2014-15 (excluding GST) $'000	Future expenditure (excluding GST) $'000
Oracle Corporation Australia Pty Ltd	ERP implementation V/One	4,867	3,329	1,538
Rail Signalling Services Pty Ltd	Level crossing upgrade services	3,052	3,052	0
Advisian	Project management and professional engineering services	2,663	2,663	0
Evans & Peck Pty Ltd	Project management and professional engineering services	2,270	2,270	0
Interface Rail Engineering	Professional engineering services	1,895	1,895	0
Asset Future Pty Ltd	Audit and assessment of network assets	1,114	1,114	0
Clicks IT Recruitment Pty Ltd	V/One consulting	1,848	1,002	846
Opus Rail (Previously Coffey Rail)	Professional engineering services	660	660	0
Worley Parsons	Professional engineering services	611	611	0
Hyder Consulting Pty Ltd	Professional engineering services	446	446	0
Simmons Rail Consultants	Professional engineering services	226	226	0
Aurora Management Consultancies P/L	Project management services V/One	345	201	144
Sterling Group Consultants	Inspect, survey and design services	155	155	0
Mott MacDonald Pty Ltd	Engineering design services	134	134	0
Nuttall Engineering Consultants	Engineering services	129	129	0
Opus International Consultants P/L and (Australia) Pty Ltd	Professional engineering services	114	114	0
Boleh Consulting Pty Ltd and (Australia) Pty Ltd	Professional engineering services	91	91	0
Transnet Logistics Pty Ltd	Project management services	81	81	0
Parsons Brinckerhoff Australia Pty Ltd	Track sequencing alarm and feasibility study	77	77	0
Infracorr Consulting Pty Ltd	Professional engineering services	73	73	0
Conservation Consultants Pty Ltd	Professional engineering services	25	25	0
Clayton UTZ	Legal advice	30	15	15
Value Edge Consulting	Professional assessment services	15	15	0
Rail Networks Consulting	Engineering design services	11	11	0
		16,064	15,059	1,005
Below $10K		Nil	Nil	Nil

Notes:

Definition of consultant

Consultancy is an arrangement where an individual or organisation is engaged to:
i. provide expert analysis and advice which facilitates decision-making
ii. perform specific one-off task
iii. perform a task involving skills or perspectives which would not normally be expected to reside within the entity.

Board of Directors

(during the period 1 July 2014 to 30 June 2015)

Hector McKenzie – Chair

Mr McKenzie has extensive experience in the transport industry in both the government and private sector, including rolling stock procurement, privatisation of the rail and tram systems, transport arrangements for the 2006 Commonwealth Games and development of Victoria's Action Plan for People with Disabilities. Prior to joining V/Line, he was the Director of Public Transport, a statutory office responsible for the provision of all public transport and taxi regulation in Victoria. He currently manages his own company providing commercial advice, in relation to the structuring and letting of complex capital and operations contracts in the public transport sector.

John Wilson – Director

Mr Wilson owns a consultant business and is an experienced company director. His career has included roles as managing director and chief executive officer of large private and government-owned public transport companies (bus/coach and rail). Mr Wilson's consulting business concentrates largely on transport (operations, fleet and infrastructure procurement, maintenance and logistics), project management, business due diligence, audit, risk, governance, merger and acquisitions. Mr Wilson is a Fellow of the Australian Institute of Company Directors (FAICD) and Fellow of CPA Australia.

Marion Macleod – Director

Ms Macleod is a non-executive director with more than 18 years board experience, including Metlink, CAE, MecwaCARE and the VFF. Her executive experience has been in the corporate and SME sectors, with extensive experience at Telstra and the ABC, as well as in consulting. She is a fellow [FAICD] of AICD Victoria for more than ten years and has also been an AICD council member.

Her experience is across a breadth of business skills in strategy setting, finance, business management and commercialisation, IT, change strategy, risk and governance. These have been across a range of industries including banking, telecommunications, technology, education, government, health sector and logistics. She has specific knowledge of strategic business drivers in fast changing, innovative and complex market-based stakeholder environments and has a demonstrated track record of delivering continuous improvements in complex (B2B and B2C) businesses, providing strong commercial outcomes and business growth. She has delivered significant change programs and continues within her consulting business to deliver an award winning governance program, *The Effective Director*, as well as providing strategic direction setting and implementation.

Ms Macleod is a Williamson Fellow and graduate of Leadership Victoria. She holds a number of business and financial qualifications including an MBA from Melbourne Business School, post-graduate qualifications in finance, media and project management and her foundation degree in science.

Amanda Derham – Director

Amanda Derham, BA, GAICD, appointed to V/Line in October 2013-June 2015, has extensive business experience in the areas of innovation, marketing and communications. Her focus is on corporate governance, risk management and organisational culture.

She has served in both the private and public sectors and is a director of Anglicare Victoria Inc. She has previously been the Deputy Chair, Golf Victoria Ltd (interim board) and a board member of Burra Foods Australia and AWG Investments Pty Ltd and Scotch College Foundation. She currently holds an Australian Government/AICD Diversity Scholarship and was a life member Museum of Victoria 1993-2003.

Deborah Spring – Director

Ms Deborah Spring has broad experience gained over 25 years as a senior executive in the private, public and semi-government sectors across a diverse range of industries in both domestic and international markets. These industries include energy, manufacturing, recycling, petro-chemicals, technology, post and rail, as well as transport and logistics. Ms Spring's expertise is in implementing major business transformation programs in complex, highly regulated industries. She also brings extensive governance experience in logistics, environment, education and community services that include membership of sub-committees responsible for audit and risk, finance, human resources, infrastructure, efficiency and operations. Ms Spring is a Councillor of Federation University Australia and Chair of the Mount Hotham Alpine Resort Management.

David Harris – Director

Mr David Harris has a retail business in western Victoria. He is an experienced director, chairman and board member across government, community and commercial industries and has a long history of active participation in the local community. Mr Harris is a former G21 Director, a 25-year member of Rotary International and a Fellow of the Australian Institute of Company Directors. He is a current Director of Barwon Water Board and Chair of its Audit and Risk Committee.

Dr Josh Wilson QC – Director

Dr Wilson QC entered the legal profession in 1983. Following a three-year term as a solicitor plus a two-year appointment as the associate to the Hon Mr Justice Kenneth Marks, Dr Wilson QC has been in active practice as a barrister since 1987. Dr Wilson has many years of expertise as a Queen's Counsel, in the fields of commercial law (especially company law) and equity. He has appeared as counsel in commercial and equity cases at trial and appellate level in courts across Australia. He holds undergraduate, masters and doctorate degrees in law, he has taught at Keble College Oxford University and has written a textbook on extradition law. Dr Wilson QC is a member of the Executive Committee of the International Advocacy Training Council, is a council member of International House at the University of Melbourne and a member of the Advocacy Training Council of the Australian Bar Association. He was a longstanding member of PILCH and has given countless hours of time as a moot master for the Victorian Bar as well as for Monash, Deakin and Melbourne universities.[1]

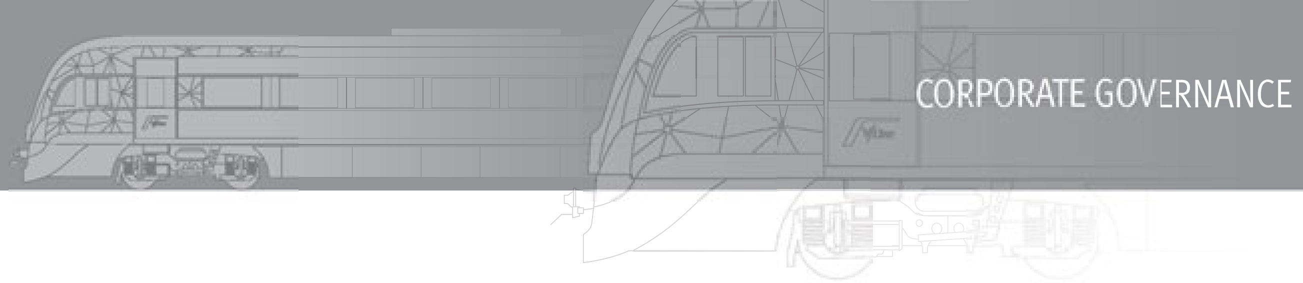
[1] Dr Wilson Q.C. resigned as a director of V/Line Corporation and V/Line Pty Ltd effective 18 September 2014.

V/Line executive as at 30 June 2015

V/Line Board

Chief Executive
Theo Taifalos

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



V/Line Corporation and V/Line Pty Ltd

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

VLC is governed by the *Transport Integration Act 2010*, which sets out its object and functions. The Transport Integration Act creates a framework for the provision of an integrated and sustainable transport system, and all Victorian transport agencies, including VLC are required to work together towards this common vision.

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

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

Board composition

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

The directors as at 30 June 2015 were Hector McKenzie (Chair), John Wilson (Deputy Chair), Marion Macleod, Amanda Derham, Deborah Spring and David Harris.

The directors as at 1 July 2015 include Jennifer Dawson (Chair), Craig Cook (Deputy Chair), John Donovan, Gabrielle Bell, Kay Macaulay and David Harris.

Board role

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

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

Board committees

During the period 1 July 2014 to 30 July 2015, the board of V/Line had established four board committees: Audit, Finance and Risk Committee, the Human Resources and Remuneration Committee; Safety, Security, Health and Environment Committee and the Organisation Effectiveness Committee. Each committee has a charter that sets out its roles and responsibilities. The newly constituted board is reviewing committee structures.

Audit, Finance and Risk Committee

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

Members at 30 June 2015 were John Wilson (Chair), Marion Macleod, Amanda Derham and David Harris.

Number of meetings held during the year: nine

HR and Remuneration Committee

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

Members as at 30 June 2015 were Marion Macleod (Chair), Hector McKenzie and Amanda Derham. Dr Wilson was also a member of the committee during part of the year.

Number of meetings held during the year: six

Safety, Security, Health and Environment Committee

Assists the board in discharging its obligations in relation to our 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 2015 were Deborah Spring (Chair), Hector McKenzie, John Wilson and Amanda Derham.

Number of meetings held during the year: four

Organisation Effectiveness Committee

Assist the board in providing oversight and review of V/Line's organisation effectiveness.

Members as at 30 June 2015 were Deborah Spring (Chair), John Wilson and David Harris.

Number of meetings held during the year: 10

Board and committee meeting attendance

V/Line Corporation	Board meetings		Special purpose board meetings	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Hector McKenzie	11	11	1	1
Marion Macleod	11	11	1	1
John Wilson	11	11	1	1
Dr Josh Wilson QC	2	1	1	1
Amanda Derham	11	11	1	1
Deborah Spring	11	8	1	1
David Harris	11	11	1	0

V/Line Pty Ltd	Board meetings		Special purpose board meetings	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended
Hector McKenzie	11	11	1	1
Marion Macleod	11	11	1	1
John Wilson	11	11	1	1
Dr Josh Wilson QC	2	1	1	1
Amanda Derham	11	11	1	1
Deborah Spring	11	10	1	1
David Harris	11	11	1	0

Dr Joshua Wilson Q.C. resigned from the Boards of V/Line Corporation and V/Line Pty Ltd effective 18 September 2014.

Committees	HR and Remuneration		Safety, Security, Health and Environment		Audit, Finance and Risk		Organisation Effectiveness	
Director	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Hector McKenzie	6	5	4	4	n/a	1	10	6
Marion Macleod	6	6	n/a	n/a	9	8	10	7
John Wilson	n/a	n/a	4	3	9	9	10	10
Dr Josh Wilson QC	n/a	n/a	n/a	n/a	3	2	n/a	n/a
Amanda Derham	6	6	4	3	6	5	10	7
Deborah Spring	n/a	n/a	4	4	n/a	n/a	10	10
David Harris	n/a	n/a	n/a	n/a	9	7	10	9

Ms Amanda Derham was appointed to the AFR Committee on 19 September 2014.
Mr McKenzie, Ms MacLeod and Ms Derham attended the Organisation Effectiveness Committee as standing invitee issued to all directors.
Mr McKenzie attended an Audit, Finance and Risk Committee as standing invitee issued to all directors.

Access to information

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

Indemnification of Officers

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

Corporate plan

In accordance with the Transport Integration Act 2010, VLC prepared its corporate plan, including its statement of corporate intent for Ministerial approval. The corporate plan is prepared annually and covers a five-year period starting from the current financial year.

Ministerial directions

V/Line received no Ministerial directions for the period ending 30 June 2015.

Risk management

V/Line has an enterprise-wide risk management (EWRM) framework, which adopts the principles of the ISO31000:2009 Risk Management Standard and aligns with the Victorian Government Risk Management Framework. The EWRM framework applies to all risk types. The board of V/Line sets the risk tolerance and monitors performance in meeting the requirements via the governance structure, which includes the Safety, Security, Health and Environment Committee and the Audit, Finance and Risk Committee. V/Line's board and management vigilantly monitors the operating environment and horizon, to ensure it is prepared to respond effectively to new and emerging risks and management maintains a reliable control environment.

Use of good risk management practice ensures we meet our obligations under the Rail Safety National Law, Victorian Management Insurance Authority Act 1996, Public Administration Act 2004 and the Financial Management Compliance Framework. Our approach includes arrangements for addressing interagency and state significant risks, as well as collaboration with stakeholders to ensure shared risks can be managed effectively.

It is through the application of the above that V/Line is able to attest to its compliance with Ministerial Direction 4.5.5.

Insurance

Public Sector Agencies required to insure with VMIA under the Victorian Managed Insurance Authority Act 1996 must as part of their annual insurance renewal process, make attest their compliance with Standing Direction 4.5.5.1 Insurance.

V/Line has determined the appropriate level of insurance in consultation with VMIA, maintains a register of all insurances and has provided details of its claims capability to VMIA.

Ministerial Standing Direction 4.5.5.1

I, Theo Taifalos, certify that V/Line Corporation through its wholly owned subsidiary and operating company, V/Line Pty Ltd, has complied with Ministerial Direction 4.5.5.1 – Insurance.

Theo Taifalos
Chief Executive Officer
22 June 2015

Victorian Government Risk Management Framework Attestation – Direction 4.5.5

I, Hector McKenzie certify that V/Line Corporation through its wholly owned subsidiary and operating company, V/Line Pty Ltd, has complied with Ministerial Direction 4.5.5 – Risk Management Framework and Processes.

Hector McKenzie
Chair
22 June 2015

Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by VLC. For the year ended 30 June 2015, VLC received nine Freedom of Information requests. One request was from the media and eight were from the general public. The majority of requests were acceded to, no internal reviews were requested, one review was sought of the FOI Commissioner and no notifications of VCAT hearings were received.

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

- it should be made in writing
- identify as clearly as possible which documents are being requested
- be accompanied by the statutory fee of $27.20 (the fee may be waived in certain circumstances), and
- addressed to Freedom of Information Officer, V/Line, GPO Box 5343, Melbourne VIC 3001.

Access charges (e.g. photocopying and search and retrieval charges) may also apply once documents have been processed and a decision on access is made.

Further information regarding Freedom of Information can be found at www.foi.vic.gov.au.

Compliance with the Building Act 1993

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

Protected Disclosures Act 2012

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

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

Independent Broad-based Anti-Corruption Commission (IBAC)

GPO Box 24234
Melbourne, Victoria 3000
www.ibac.vic.gov.au
Phone: 1300 735 135

Implementation of the Victorian Industry Participation Policy (VIPP)

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

During 2014-15 financial year, V/Line started and/or completed five contracts totalling $28,564,046 to which a VIPP Plan was required.

During 2014-15 financial year, V/Line started one contract which a VIPP Plan was not required due to nil to limited contestability.

During 2014-15 financial year, five contracts started and/or completed, to which a VIPP Plan was required, occurred in regional Victoria, representing an average of 92.7 per cent of estimated local content.

During 2014-15 financial year, one small-to-medium sized business prepared a VIPP Plan.

The total VIPP Plan commitments expected to be achieved as a result of contracts started include:

- local content of 93.4 per cent of the total value of the contracts
- 14 new jobs and 29 retained jobs (Annualised Employee Equivalent (AEE)) and
- zero new apprenticeships/traineeships or retained apprenticeships/traineeships.

The total VIPP Plan commitments achieved as a result of contracts completed include:

- local content of 60.9 per cent of the total value of the contracts
- seven new jobs and 12 retained jobs (AEE)
- zero new apprenticeships/traineeships or retained apprenticeships/traineeships and
- benefits to the Victorian economy in terms of skills and/or technology transfer outcomes include an increase in the number of qualified staff holding a Rail Industry Worker Card.

Availability of additional information

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

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

b) details of publications produced by V/Line about itself, and how these can be obtained;

c) details of changes in prices, fees, charges, rates and levies charged by V/Line;

d) details of any major external reviews carried out on V/Line;

e) details of major research and development activities undertaken by V/Line;

f) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;

g) details of major promotional, public relations and marketing activities undertaken by V/Line to develop community awareness of V/Line and its services;

h) details of assessments and measures undertaken to improve the occupational health and safety of employees;

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

j) a list of the major committees of the V/Line Board, the purposes of each committee and the extent to which the purposes have been achieved; and

k) details of all consultancies and contractors including:

(i) consultants/contractors engaged;

(ii) services provided; and

(iii) expenditure committed to for each engagement.

The information is available on request from the Company Secretary.

Contents

Declaration by the Board of Directors, Accountable Officer and Chief Finance and Accounting Officer

The attached financial statements for V/Line Corporation (The Corporation) and the Corporation's subsidiary (The Consolidated entity) have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2015 and the financial position of the consolidated entity at 30 June 2015.

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

We authorise the attached financial statements for issue on 17 August 2015.

Jennifer Dawson
Chair

Theo Taifalos
Chief Executive Officer

Philip Beale
Chief Financial Officer

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, V/Line Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of V/Line Corporation which comprises the consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration by the Board of Directors, Accountable Officer and Chief Finance and Accounting Officer has been audited. The financial report is the consolidated financial statements of the consolidated entity, comprising V/Line Corporation and the entities it controlled at year end or from time to time during the financial year as disclosed in Note 1(c) to the consolidated financial statements.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of V/Line Corporation and the consolidated entity as at 30 June 2015 and their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the Australian accounting profession.

T McDonald

MELBOURNE
28 August 2015

for John Doyle
Auditor-General

Auditing in the Public Interest

Consolidated comprehensive operating statement

for the financial year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
CONTINUING OPERATIONS			
Income from transactions			
Revenue	2(a)	493,249	445,894
Other income	2(b)	125,525	131,585
Total income from transactions		**618,774**	**577,479**
EXPENSES FROM TRANSACTIONS			
Operational expenses	3(a)	351,890	319,583
Depreciation	3(b)	19,447	19,529
Administrative expenses		72,315	66,526
Selling expenses		1,419	1,795
Marketing and communication		1,948	2,661
Customer service expenses		3,525	3,423
Project expenses		47,096	61,914
Infrastructure maintenance		92,971	82,482
Trains provided free of charge – operating expenditure	1(j)	30,450	29,225
Total expenses from transactions		**621,061**	**587,138**
Net result from transactions (net operating balance)		**(2,287)**	**(9,659)**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Net gain/(loss) on financial instruments	4(a)	(51)	(8)
Other gains/(losses) from other economic flows	4(b)	(755)	(220)
Total other economic flows included in net result		**(806)**	**(228)**
Net result from continuing operations before income tax		**(3,093)**	**(9,887)**
Income tax (expense) benefit	5(a)	976	2,974
Net result	**14**	**(2,117)**	**(6,913)**
OTHER ECONOMIC FLOWS – OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus (gross revaluation increment of $13.436 million; tax $4.03 million)	14	9,406	(120)
Items that may be reclassified subsequently to net result		-	-
Total other economic flows – other comprehensive income		**9,406**	**(120)**
Comprehensive result		**7,289**	**(7,033)**

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

Consolidated balance sheet

as at 30 June 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	6	26,607	14,263
Receivables	7	40,209	42,563
Total financial assets		**66,816**	**56,826**
Non-financial assets			
Inventories	8	9,434	9,649
Property, plant and equipment	9	145,133	136,222
Other non-financial assets	10	3,971	4,178
Total non-financial assets		**158,538**	**150,049**
Total assets		**225,354**	**206,875**
LIABILITIES			
Payables	1(t),12	63,939	59,217
Current provisions	1(u),13	63,266	60,171
Non-current provisions	1(u),13	6,974	6,656
Deferred tax liabilities	5(b)	3,256	201
Total liabilities		**137,435**	**126,245**
Net assets		**87,919**	**80,630**
EQUITY			
Accumulated deficit	14	(36,052)	(33,935)
Physical asset revaluation surplus	14	123,971	114,565
Net worth		**87,919**	**80,630**
Commitments for expenditure	21		
Contingent assets and contingent liabilities	23		

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

Consolidated statement of changes in equity

for the financial year ended 30 June 2015

	Notes	Physical Asset Revaluation Surplus $'000	Accumulated Deficit $'000	Total Equity $'000
Balance at 1 July 2013	**14**	**114,685**	**(27,022)**	**87,663**
Net result for the year	14	-	(6,913)	(6,913)
Other comprehensive income for the year		(120)	-	(120)
Balance at 30 June 2014	**14**	**114,565**	**(33,935)**	**80,630**
Net result for the year	14	-	(2,117)	(2,117)
Other comprehensive income for the year	14	9,406	-	9,406
Balance at 30 June 2015	**14**	**123,971**	**(36,052)**	**87,919**

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

Consolidated cash flow statement

for the financial year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from government		494,008	479,709
Receipts from other entities		138,308	105,991
Interest received		404	680
Total receipts		**632,720**	**586,380**
Payments			
Payments to suppliers and employees		(599,778)	(572,877)
Goods and Services Tax paid to the ATO		(5,676)	(13,129)
Total payments		**(605,454)**	**(586,006)**
Net cash flows from/(used in) operating activities	**16**	**27,266**	**374**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of non-financial assets		(14,922)	(5,728)
Net cash flows from/(used in) investing activities		**(14,922)**	**(5,728)**
Net increase/(decrease) in cash and cash equivalents		**12,344**	**(5,354)**
Cash and cash equivalents at the beginning of the financial year		14,263	19,617
Cash and cash equivalents at the end of the financial year	**6**	**26,607**	**14,263**

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

Notes to and forming part of the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual consolidated financial statements represent the audited general purpose financial statements for V/Line Corporation (the Corporation) and its controlled entity V/Line Pty Ltd (the Group) for the year ended 30 June 2015.

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

Its principal address is:

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

(i) Objectives

The objectives of V/Line are:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Statement of compliance

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

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

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

These annual general purpose financial statements were authorised for issue by the Board of Directors on 17 August 2015.

(b) Basis of accounting preparation and measurement

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

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

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

- the fair value of plant and equipment, leasehold improvements and rolling stock (refer to Note 1(p));
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(u)).

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 performed with sufficient regularity to ensure that carrying amounts do not materially differ from their fair value.

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

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

In accordance with *AASB 10 Consolidated Financial Statements*:

- the consolidated financial statements of the Group incorporates assets and liabilities of all reporting entities controlled by the Group as at 30 June 2015, 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 started. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

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

V/Line Corporation is represented by:

Investment in subsidiary	$1
Contributed equity	$1

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

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

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

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

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

Entities consolidated within the V/Line Corporation group are:

Name	Principal place of incorporation and business	Equity interest	2015 $'000	2014 $'000
V/Line Pty Ltd	Australia	100%	-	-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Scope and presentation of financial statements

Consolidated comprehensive operating statement

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

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

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

- Gains and losses from disposals of non-financial assets.
- Revaluations and impairments of non-financial physical and intangible assets.
- 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 (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes to the financial statements, where relevant.

Consolidated statement of changes in equity

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

Consolidated cash flow statement

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

Rounding

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

(e) Changes in accounting policies

Subsequent to the 2013-14 reporting period, the following new and revised Standards have been adopted for the first time in the current period with their financial impacts disclosed below.

AASB 10 Consolidated Financial Statements

AASB 10 provides a new approach to determine whether an entity has control over an entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

- The investor has power over the investee.
- The investor has exposure, or rights to variable returns from its involvement with the investee.
- The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, the Group has reviewed the existing arrangements to determine if there are any additional entities that need to be consolidated into the group and has concluded that no additional entity has met the control criteria.

AASB 11 Joint Arrangements

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

The Group has reviewed its existing contractual arrangements with other entities to ensure they are aligned with the new classifications under AASB 11 and has concluded that the Group does not have any joint arrangements.

AASB 12 Disclosure of Interests in other Entities

AASB 12 Disclosure of Interests in other Entities prescribes the disclosure requirements for an entity's interests in subsidiaries, associates, joint arrangements and extends to the entity's association with unconsolidated structured entities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group does not have any interests in associates and joint arrangements and has reviewed its current contractual arrangements, to determine if there are any unconsolidated structured entities that the Group has involvement with. It has not identified any unconsolidated structured entities during the assessment.

(f) Not-for-profit

The board is of the view that the consolidated entity qualifies as a not-for-profit entity since the primary obligation of the Group is the delivery of subsidised public transportation services to regional Victoria, which is consistent with FRD 108A. The Group has a Services Agreement with Public Transport Victoria, 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, and 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 complies with accounting standards applicable to not-for-profit entities.

(g) Going concern

The Group provides public transport services to rural and regional Victoria and is also responsible for the management and maintenance of the regional rail network it operates on. The provision of these services is subsidised by the State Government of Victoria. Without the provision of that subsidy the Group could not continue as a going concern (Note 25).

Each year the Group undertakes normal budget processes through the development of the Corporate Plan that is finalised and submitted to its shareholders in accordance with the relevant legislation by 31 August each year. The Corporate Plan is then reviewed and ultimately approved by its shareholders. Once the budget is approved the final funding required by the Group is determined for that year. The final budget approval may not always be completed by the date of signing the accounts. Irrespective of whether the final budget has been approved the Department of Economic Development, Jobs, Transport and Resources formally agrees to provide adequate cash flow support through Public Transport Victoria to enable the Group to meet its current and future operational obligations each year, as and when they fall due. This support extends to September following the budgeted year of operation to ensure continuity of funding into the next budget period.

The Group meets regularly with its shareholders and Public Transport Victoria 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 $47 million (2014: $48.7 million) this financial report has been prepared on a going concern basis. The consolidated entity is financially subsidised by its ultimate parent entity, the State Government of Victoria, pursuant to a Services Agreement with Public Transport Victoria.

The funding requirements for the year ending 30 June 2016 have been agreed with PTV under an approved budget allocation pursuant to the Services Agreement. The Services Agreement contains provisions for the Corporation's funding requirements to be met by the State Government of Victoria throughout the 3 year period of the Services Agreement which ends on 30 June 2016.

The Department has agreed to provide adequate cash flow support through Public Transport Victoria via a Letter of Support to enable the consolidated entity to meet its current and future operational obligations, as and when they fall due for a period up to September 2016 should this be required. This assurance from DEDJTR for financial support only applies while the consolidated entity remains in full state ownership.

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

Refer to Note 25 for further details of the consolidated entity's economic dependency on the State Government of Victoria.

(h) National Tax Equivalent Regime (NTER)

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(i) Accounting for the Goods and Services Tax (GST)

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

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

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

Commitments and contingent assets and liabilities are also stated inclusive of GST (refer to Note 1(v) and Note 1(w)).

(j) Revenue and expenditure

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

Revenue

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

Ticket sales/fare box

Farebox revenue is recognised when the passenger services are provided. Revenue from tickets that relate to passenger trips to be taken after the reporting date are deferred and recognised as a liability. V/Line receives farebox revenue from both the myki and V/Net ticketing systems. Myki revenues are subject to the allocation methodologies of the New Ticketing System Revenue Sharing Agreement. V/Net is V/Line’s ticketing system for non-myki areas and this revenue is directly received.

Contributions

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

Value in kind

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

Expenditure

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

Employee expenses

Refer to the section in Note 1(n) regarding employee benefits.

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Superannuation

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

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

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

Other operating expenses

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

Supplies and services

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

Value in kind

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

(k) Cash and cash equivalents

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

(l) Financial instruments

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

For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

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

(i) Loans and receivables

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

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

(ii) 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.

(iii) 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.

(m) Receivables

Receivables consist of:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(n) Inventories

Inventories include goods and other property held either for sale or for consumption in the ordinary course of business operations. Inventories are stated at the lower of cost and net realisable value. V/Line has a contract with a supplier for the supply of various spare parts for rolling stock maintenance, which are to be made available upon request. This practice is considered by industry to be best practice as it has the lowest storage costs. These spare parts are valued using the weighted average cost formula. Stock of fuel is also measured using the weighted average cost formula.

(o) Investment in subsidiaries

Investments in subsidiaries are carried at cost.

(p) Property, plant and equipment

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

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

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

There were no changes in valuation techniques during the period to 30 June 2015.

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

(i) Valuation of rolling stock and rotables

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

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

Revaluation increases or decreases 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 derecognition of the relevant asset.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in *Note 9 Property, Plant and Equipment*.

(ii) Depreciation of property, plant and equipment

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

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

The refurbishment program included in the rolling stock management plan includes major examinations and overhauls of rolling stock. The consolidated entity treats these examinations as significant upgrades, which extend the useful life of the rolling stock. Included in the refurbishment program is the replacement of major units such as traction and locomotive motors, generators, wheel sets and bogies. These items are capitalised and depreciated over their useful life. All other maintenance examinations and minor work are treated as repairs and maintenance and expensed when incurred.

(iii) Estimated useful lives of property, plant and equipment

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

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

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

(iv) Leasehold improvements

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

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

(q) Operating leases

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

(r) Impairment of non-financial assets

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

- Deferred tax assets (refer Note 1(h))
- Inventories (refer Note 1(n))
- Prepayments (refer Note 1(s)).

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(s) Other non-financial assets

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

(t) Payables

Payables consist of:

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

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

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

(u) Employee benefits

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

(i) Wages and 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.
- Present value – if the Group does not expect to wholly settle the liability within 12 months.

(ii) Long service leave

A liability for long service leave (LSL) is recognised in the provision for employee benefits.

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

The components of this current LSL are measured at:

- Undiscounted value – component that the Group expects to wholly settle within 12 months.
- Present value – component that the Group does not expect to wholly settle within 12 months.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(v) Commitments

Commitments for future expenditure include operating commitments arising from contracts. These commitments are disclosed by way of a note (refer to *Note 21 Commitments for expenditure other than public private partnerships*) at their nominal value and inclusive of the goods and services tax (GST) payable.

(w) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the consolidated balance sheet but are disclosed by way of a note (refer to Note 23 Contingent assets and contingent liabilities), and if quantifiable are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

(x) Significant accounting estimates and judgments

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

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

(i) Impairment

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

(ii) Allowance for impairment loss on trade receivables

During the 2014-15 financial year, $3.03 million was written off against the provision of doubtful debts. An additional $51,000 was also provided for; therefore there has been a $2.98 million net reduction in the provision for doubtful contractual receivables in 2014-15 based on a detailed analysis of the recoverability of individual accounts.

(iii) Useful lives of property, plant & equipment

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

(iv) Recovery of deferred tax asset

Deferred tax assets are recognised for deductible temporary differences, as management considers that it is probable that future taxable profits will be available to utilise these temporary differences.

v) Annual leave on costs

Superannuation on costs associated with the annual leave provision has been applied to ninety per cent of the provision before on costs. The remaining ten per cent representing estimated terminations. The change in accounting estimate has resulted in a reduction in the annual leave provision of $0.2 million.

In relation to future periods it is impractical to estimate the effect of this change on the annual leave provision.

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 30 June 2015. The Department of Treasury & Finance (DTF) assesses the impact of all these new standards and advises entities of their applicability and early adoption where applicable. As at 30 June 2015, the following standards and interpretations had been issued but were not mandatory for the financial year ended 30 June 2015.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 *Financial Instruments*	This standard simplifies requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	Detail of impact will depend on what Financial Instruments V/Line has at the time of adoption.
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017	Will be adopted at the appropriate adoption date. Detail of impact is being assessed.
AASB 2014-1 *Amendments to Australian Accounting Standards [*Part E *Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* *[AASB 116 & AASB 138]*	Amends *AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets* to: • Establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. • Prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* *[AASB 10, AASB 124 & AASB 1049]*	The Amendments extend the scope of *AASB 124 Related Party Disclosures* to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions

	Notes	2015 $'000	2014 $'000
NOTE 2 INCOME FROM TRANSACTIONS			
(a) Revenue			
Fare-box revenue		101,233	95,155
Inter-operator income		576	890
Franchise subsidy		336,225	296,803
Access charges		4,957	5,792
Other income		19,808	18,029
Trains received free of charge		30,450	29,225
		493,249	**445,894**
(b) Other income			
Interest-other persons/corporation		404	680
Government project re-imbursement		125,121	130,905
		125,525	**131,585**
Total income from transactions		**618,774**	**577,479**
NOTE 3(A) OPERATIONAL EXPENSES			
Fleet maintenance		88,726	80,858
Fuel costs		25,602	31,177
Access charges		19,498	20,950
V/Line-branded coach contract costs		33,164	13,568
Road coach services		8,132	13,144
Other direct costs		13,729	9,356
Repairs & maintenance		3,700	4,227
		192,551	**173,280**
Direct labour costs			
Salaries and wages		116,961	109,735
Superannuation		15,462	14,221
Annual leave and long service leave expense		17,813	13,900
Other on-costs (payroll tax and work cover levy)		9,103	8,447
		159,339	**146,303**
Total operational expenses		**351,890**	**319,583**
NOTE 3(B) DEPRECIATION			
Depreciation of non-current assets			
Rolling stock	9	9,834	9,846
Rolling stock - capitalised improvements	9	7,516	7,347
Plant and equipment	9	1,565	1,744
Leasehold improvements	9	532	592
Total depreciation of non-current assets		**19,447**	**19,529**

	Notes	2015 $'000	2014 $'000
NOTE 4 OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
(a) Net gain/(loss) on financial instruments			
Impairment of contractual receivables		(51)	(8)
Total net gain/(loss) on financial instruments		**(51)**	**(8)**
(b) Other gains/(losses) from other economic flows			
Net gain/(loss) arising from revaluation of long service leave liability		(755)	(220)
Total other gains/(losses) from other economic flows		(755)	(220)
NOTE 5(A) INCOME TAX EXPENSE/(BENEFIT)			
Accounting profit/(loss) before income tax		(3,093)	(9,887)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2014: 30%)		(928)	(2,966)
Tax expense relating to non-temporary differences	-		-
Deferred tax expense relating to reversal of temporary differences		(48)	(8)
Income tax expense/(benefit)		**(976)**	**(2,974)**
The component of tax expense/(benefit) comprises:			
Current tax		2,696	-
Deferred tax		(3,672)	(2,974)
		(976)	**(2,974)**
Weighted average tax rate		31.5%	30%
NOTE 5(B) DEFERRED TAX LIABILITY			
Gross deferred tax assets – temporary differences			
Carry forward tax losses		10,362	13,058
Accruals		503	564
Provision for employee entitlements		20,283	19,190
Other provisions		810	1,720
Total deferred tax assets		**31,958**	**34,532**
Deferred tax liability			
Accelerated depreciation for taxation purposes		35,214	34,733
Total deferred tax liability		**35,214**	**34,733**
Net deferred tax liability		**(3,256)**	**201**
Movement in deferred tax liability:			
Opening net deferred tax liability		201	3,226
Deferred tax movement through equity		4,031	(51)
Utilisation of carried forward tax losses		2,306	-
Income tax expense/(benefit)		(3,282)	(2,974)
Aggregate deferred tax liability		**3,256**	**201**

	2015 $'000	2014 $'000
NOTE 6 CASH AND CASH EQUIVALENTS		
Cash at bank	26,447	14,099
Cash on hand	160	164
Total cash and cash equivalents	**26,607**	**14,263**
NOTE 7 RECEIVABLES		
Current receivables		
Contractual		
Trade receivables	24,745	35,847
Other receivables	14,270	8,965
Provision for doubtful contractual receivables (refer also Note 7(a))	(71)	(3,048)
	38,944	**41,764**
Statutory		
Fuel rebate receivable from the ATO	1,265	799
	1,265	799
Total receivables	**40,209**	**42,563**
Related party receivables		
Trade receivables include the following receivables from related parties:		
Public Transport Victoria and Department of Economic Development, Jobs, Transport and Resources (formerly Department of Transport, Planning and Local Infrastructure)	21,068	29,441
Other related parties	116	238
	21,184	**29,679**

Terms and conditions relating to the above financial instruments:

Credit sales are on 30 day terms.
Details of the terms and conditions of related parties' receivable are set out in Note 20.

(a) Movement in the provision for doubtful contractual receivables

	2015 $'000	2014 $'000
Balance at beginning of the year	**(3,048)**	**(3,077)**
Increase in provision recognised in the net result	(51)	(29)
Reversal of provision of receivables written off during the year as uncollectible	3,028	-
Balance at end of the year	**(71)**	**(3,048)**

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

(b) Ageing analysis of contractual receivables

Refer to Note 15 for the ageing analysis of contractual receivables.

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

Refer to Note 15 for the nature and extent of risks arising from contractual receivables.

	2015 $'000	2014 $'000
NOTE 8 INVENTORIES		
Spares and materials at cost	**9,434**	**9,649**

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

Table 9.1 Classification by 'purpose groups' – carrying amounts (i)

	Transportation & Communication		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Plant and equipment				
At fair value	38,345	37,272	38,345	37,272
Accumulated depreciation	(32,643)	(31,209)	(32,643)	(31,209)
Net carrying amount	**5,702**	**6,063**	**5,702**	**6,063**
Rolling stock				
At fair value	128,754	135,849	128,754	135,849
Accumulated depreciation	(706)	(39,386)	(706)	(39,386)
Net carrying amount	**128,048**	**96,463**	**128,048**	**96,463**
Leasehold Improvements				
At fair value	6,942	6,746	6,942	6,746
Accumulated depreciation	(4,422)	(3,890)	(4,422)	(3,890)
Net carrying amount	**2,520**	**2,856**	**2,520**	**2,856**
Rolling stock – capitalised improvements				
At fair value	-	49,995	-	49,995
Accumulated depreciation	-	(20,993)	-	(20,993)
Net carrying amount	**-**	**29,002**	**-**	**29,002**
Capital works in progress	**8,863**	**1,838**	**8,863**	**1,838**
Total property, plant and equipment	**145,133**	**136,222**	**145,133**	**136,222**

(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.

Valuation of Rolling Stock

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

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

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

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

At 30 June 2015 the fair value of V/Line's rolling stock was $128.8 million, which is made up of the revalued classic fleet rolling stock of $122.3 and capitalised improvements of $6.5 million undertaken subsequent to the date of inspection of the assets by VGV.

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

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

Table 9.2 Classification by 'transport & communication' purpose group – movements in carrying amounts

	Transportation & Communication		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Plant and equipment				
Carrying amount at beginning of year	6,063	6,247	6,063	6,247
Additions	812	1,393	812	1,393
Transfers from works in progress	406	177	406	177
Disposals	(15)	(10)	(15)	(10)
Depreciation expense	(1,564)	(1,744)	(1,564)	(1,744)
Carrying amount at end of year	**5,702**	**6,063**	**5,702**	**6,063**
Rolling stock at fair value				
Carrying amount at beginning of year	96,463	106,479	96,463	106,479
Increase due to revaluation	13,436	-	13,436	-
Impairment	-	(170)	-	(170)
Transfer WDV from Capitalised improvements due to revaluation	27,985	-	27,985	-
Depreciation expense	(9,836)	(9,846)	(9,836)	(9,846)
Carrying amount at end of year	**128,048**	**96,463**	**128,048**	**96,463**
Leasehold improvements				
Carrying amount at beginning of year	2,856	3,346	2,856	3,346
Additions	129	38	129	38
Transfers from works in progress	66	64	66	64
Depreciation expense	(531)	(592)	(531)	(592)
Carrying amount at end of year	**2,520**	**2,856**	**2,520**	**2,856**
Rolling stock at cost – capitalised improvements				
Carrying amount at beginning of year	29,002	31,403	29,002	31,403
Additions	6,214	4,081	6,214	4,081
Transfers from works in progress	285	865	285	865
Transfer WDV to Rolling Stock due to revaluation	(27,985)	-	(27,985)	-
Depreciation expense	(7,516)	(7,347)	(7,516)	(7,347)
Carrying amount at end of year	**-**	**29,002**	**-**	**29,002**
Capital works in progress				
Carrying amount at beginning of year	1,838	2,719	1,838	2,719
Additions	7,782	225	7,782	225
Transfers to fixed assets	(757)	(1,106)	(757)	(1,106)
Carrying amount at end of year	**8,863**	**1,838**	**8,863**	**1,838**

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

Table 9.2 Classification by 'transport & communication' purpose group – movements in carrying amounts (continued)

	Transportation & Communication		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Total property, plant and equipment				
Carrying amount at beginning of year	136,222	150,194	136,222	150,194
Additions	14,937	5,737	14,937	5,737
Transfers from works in progress	757	1,106	757	1,106
Increase due to revaluation	13,436	-	13,436	-
Disposals	(15)	(10)	(15)	(10)
Depreciation expense	(19,447)	(19,529)	(19,447)	(19,529)
Transfers to fixed assets	(757)	(1,106)	(757)	(1,106)
Impairment	-	(170)	-	(170)
Carrying amount at end of year	**145,133**	**136,222**	**145,133**	**136,222**

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

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

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

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

There were no changes in valuation techniques during the period to 30 June 2015.

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

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

Table 9.3 Fair value measurement hierarchy for assets

2015	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Plant and equipment at fair value	5,702	-	-	5,702
Rolling stock at fair value	128,048	-	-	128,048
Leasehold improvements at fair value	2,520	-	-	2,520
Rolling stock - capitalised improvements at fair value	-	-	-	-

2014	Carrying amount as at 30 June 2014	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Plant and equipment at fair value	6,063	-	-	6,063
Rolling stock at fair value	96,463	-	-	96,463
Leasehold improvements at fair value	2,856	-	-	2,856
Rolling stock - capitalised improvements at fair value	29,002	-	-	29,002

There have been no transfers between levels during the period.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

Table 9.4 Reconciliation of Level 3 fair value

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

2014	**Plant and equipment**	**Rolling stock**	**Leasehold improvements**	**Rolling stock - capitalised improvements**
	$'000	**$'000**	**$'000**	**$'000**
Opening Balance	**6,247**	**106,479**	**3,346**	**31,403**
Additions (disposals)	1,383	-	38	4,081
Transfers in (out) of Level 3	-	-	-	-
Transfers from work in progress	177	-	64	865
Gains or losses recognised in net result				
Depreciation	(1,744)	(9,846)	(592)	(7,347)
Impairment Loss	-	(170)	-	-
Subtotal	**6,063**	**96,463**	**2,856**	**29,002**
Gains or losses recognised in other economic flows – other comprehensive income				
Revaluation	-	-	-	-
Closing Balance	**6,063**	**96,463**	**2,856**	**29,002**
Unrealised gains/(losses) on non-financial assets	-	-	-	-

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

Table 9.5 Description of significant unobservable inputs to Level 3 valuations

2015	Valuation technique	Significant Unobservable Inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Plant and equipment	Depreciated replacement cost	Cost per unit	$31,000	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	3 to 10 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher of lower valuation.
Rolling stock	Depreciated replacement cost	Cost per unit	$569,000	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of rolling stock	2 to 22 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher of lower valuation.
Leasehold improvements	Depreciated replacement cost	Cost of improvement	$79,000	A significant increase or decrease in cost per improvement would result in a significantly higher or lower fair value.
		Shorter of the remaining term of the lease or the useful life of the improvement	3 to 10 years	A significant increase or decrease in the estimated useful life of the improvement would result in a significantly higher of lower valuation.
Rolling stock –capitalised improvements	Depreciated replacement cost	Cost per improvement	$130,000	A significant increase or decrease in cost per improvement would result in a significantly higher or lower fair value.
		Useful life of capitalised improvement	2 to 22 years	A significant increase or decrease in the estimated useful life of the improvement would result in a significantly higher of lower valuation.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

Table 9.5 Description of significant unobservable inputs to Level 3 valuations

2014	Valuation technique	Significant Unobservable Inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Plant and equipment	Depreciated replacement cost	Cost per unit	$31,000	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	3 to 10 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher of lower valuation.
Rolling stock	Depreciated replacement cost	Cost per unit	$756,000	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of rolling stock	4 to 17 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher of lower valuation.
Leasehold improvements	Depreciated replacement cost	Cost of improvement	$79,000	A significant increase or decrease in cost per improvement would result in a significantly higher or lower fair value.
		Shorter of the remaining term of the lease or the useful life of the improvement	3 to 10 years	A significant increase or decrease in the estimated useful life of the improvement would result in a significantly higher of lower valuation.
Rolling stock –capitalised improvements	Depreciated replacement cost	Cost per improvement	$202,000	A significant increase or decrease in cost per improvement would result in a significantly higher or lower fair value.
		Useful life of capitalised improvement	4 to 17 years	A significant increase or decrease in the estimated useful life of the improvement would result in a significantly higher of lower valuation.

	2015 $'000	2014 $'000
NOTE 10 OTHER NON-FINANCIAL ASSETS		
Prepayments	**3,971**	**4,178**

NOTE 11 INVESTMENTS

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

NOTE 12 PAYABLES

	2015 $'000	2014 $'000
Current payables		
Contractual		
Trade payables – unsecured	21,885	41,878
Accruals	22,267	6,104
Deferred income	4,082	836
Other payables	8,555	5,800
	56,789	**54,618**
Statutory		
GST payable	2,770	371
FBT payable	44	(38)
Other taxes payable	2,711	2,323
Superannuation payable	1,647	1,854
Work cover payable	(22)	89
	7,150	**4,599**
Total payables	**63,939**	**59,217**

The average credit period is 30 days. No interest is charged on payables.

	2015 $'000	2014 $'000
Related party payables		
Amounts payable to related parties are as follows:		
Other related parties	4,310	2,103
	4,310	**2,103**

(a) Maturity analysis of contractual payables

Please refer to Note 15 for the maturity analysis of contractual payables.

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

Please refer to Note 15 for the nature and extent of risks arising from contractual payables.

	2015 $'000	2014 $'000
NOTE 13 PROVISIONS		
Current provisions		
Employee benefits (Note 13(a)):(i)		
Annual leave (Note 13(a)):		
– unconditional and expected to be settled wholly within 12 months(iii)	14,157	15,313
– unconditional and expected to be settled wholly after 12 months(ii)	3,183	1,943
Other leave (Note 13(a)):		
– unconditional and expected to be settled wholly within 12 months(iii)	967	870
Long service leave (Note 13(a)):		
– unconditional and expected to be settled wholly within 12 months(iii)	7,529	6,925
– unconditional and expected to be settled wholly after 12 months(ii)	28,624	25,855
Other provisions – employee related (Note 13 (a))	2,629	2,861
	57,089	53,767
Provisions for on-costs (Note 13(a) and Note 13(b)):		
– unconditional and expected to be settled wholly within 12 months(iii)	2,902	3,969
– unconditional and expected to be settled wholly after 12 months(ii)	3,275	2,435
	6,177	6,404
Total current provisions	**63,266**	**60,171**
Non-current provisions		
Employee benefits (Note 13(a)):(i)		
Long service leave	6,467	6,174
On-costs (Note 13(a) and Note 13(b))	507	482
Total non-current provisions	**6,974**	**6,656**
Total Provisions	**70,240**	**66,827**

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

	2015 $'000	2014 $'000
Current employee benefits		
Annual leave	17,340	17,256
Long service leave	36,153	32,780
Other leave	967	870
Other provisions – employee related	2,629	2,861
Non-current employee benefits		
Long service leave	6,467	6,174
Total employee benefits	**63,556**	**59,941**
Current on-costs	6,177	6,404
Non-current on-costs	507	482
Total on-costs	**6,684**	**6,886**
Total employee benefits and on-costs	**70,240**	**66,827**

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

(ii) These amounts are recorded at present value.

(iii) These amounts are recorded at nominal values.

NOTE 13 PROVISIONS (continued)

(b) Movement in provisions

	Employee Benefits 2015 $'000	On-costs 2015 $'000	Total 2015 $'000
Opening Balance	**59,941**	**6,886**	**66,827**
Additional provisions recognised and reductions arising from payments/other sacrifices of future economic benefits	2,848	(489)	2,359
Reductions resulting from re-measurement or settlement without cost	-	299	299
Unwind of discount and effect of changes in the discount rate	767	(12)	755
Closing Balance	**63,556**	**6,684**	**68,940**
Current	57,089	6,177	63,266
Non-current	6,467	507	6,974
	63,556	**6,684**	**70,240**

NOTE 14 EQUITY

	2015 $'000	2014 $'000
Accumulated deficit		
Balance at beginning of the year	(33,935)	(27,022)
Net result	(2,117)	(6,913)
Balance at end of the year	**(36,052)**	**(33,935)**
Physical asset revaluation surplus		
Balance at beginning of the year	114,565	114,685
Net increase/(decrease) in reserve[1]	9,406	(120)
Balance at end of the year	**123,971**	**114,565**

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

NOTE 15 FINANCIAL INSTRUMENTS

(a) Financial risk management, objectives and policies

The Consolidated entity's financial instruments consist of cash and cash equivalents, deposits with banks, accounts receivable and accounts payable.

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

The main purpose of non-derivative financial instruments is to prudentially manage the consolidated entity's financial risks within the government's policy parameters. The Group does not have any derivative instruments as at 30 June 2015 and 2014.

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

Categorisation of financial instruments

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

NOTE 15 FINANCIAL INSTRUMENTS (continued)

	Contractual financial assets – loans and receivables $'000	Contractual financial liabilities at amortised cost $'000
2014		
Contractual financial assets		
Cash and cash equivalents	14,263	-
Trade and other receivables	41,764	-
Total contractual financial assets	**56,027**	**-**
Contractual financial liabilities		
Trade and other payables	-	53,782
Total contractual financial liabilities	**-**	**53,782**
Net gain/(loss) on financial instruments by category		
Interest income	680	-
Total net gain/(loss) on financial instruments	**680**	**-**

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

- for cash and cash equivalents and receivables, the net gain/ (loss) is calculated by taking the interest income earned during the year.

(b) Interest rate risk

The Group's exposure to market risk is primarily through interest rate risk, while the risk to foreign exchange and equity price risks is low. The risk is the fluctuation in the AUD: USD exchange rate. 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.

NOTE 15 FINANCIAL INSTRUMENTS (continued)

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 2015 and 2014 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
2015			
Financial assets			
Cash and cash equivalents	26,607	-	26,607
Trade and other receivables	-	38,944	38,944
Total financial assets	**26,607**	**38,944**	**65,551**
Weighted average interest rate	2.00%	n/a	
Financial liabilities			
Trade and other payables	-	52,707	52,707
Total financial liabilities	**-**	**52,707**	**52,707**
2014			
Financial assets			
Cash and cash equivalents	14,263	-	14,263
Trade and other receivables	-	41,764	41,764
Total financial assets	**14,263**	**41,764**	**56,027**
Weighted average interest rate	2.50%	n/a	
Financial liabilities			
Trade and other payables	-	53,782	53,782
Total financial liabilities	**-**	**53,782**	**53,782**

(c) Credit risk

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

The Group's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Group. Credit risk is monitored on a regular basis.

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.

NOTE 15 FINANCIAL INSTRUMENTS (continued)

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
2015			
Contractual financial assets			
Cash and cash equivalents	26,607	-	26,607
Trade and other receivables	32,558	6,386	38,944
Total contractual financial assets	**59,165**	**6,386**	**65,551**
2014			
Contractual financial assets			
Cash and cash equivalents	14,263	-	14,263
Trade and other receivables	38,137	3,627	41,764
Total contractual financial assets	**52,400**	**3,627**	**56,027**

Ageing analysis of contractual financial assets

	Carrying Amount $'000	Not past due and not impaired $'000	Past due but not impaired Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	Impaired financial assets $'000
2015							
Receivables:							
Trade receivables	24,745	12,500	7,113	1,592	3,469	-	71
Other receivables	14,199	14,199	-	-	-	-	-
Total	**38,944**	**26,699**	**7,113**	**1,592**	**3,469**	**-**	**71**
2014							
Receivables:							
Trade receivables	35,847	30,436	1,274	583	505	-	3,048
Other receivables	8,965	8,965	-	-	-	-	-
Total	**44,812**	**39,401**	**1,274**	**583**	**505**	**1**	**3,048**

NOTE 15 FINANCIAL INSTRUMENTS (continued)

(d) Fair values

The carrying amount of financial assets recorded in the consolidated balance sheet, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral, or other security obtained.

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

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

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

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

None of the Group's financial instruments are recorded at fair value subject to initial recognition.

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

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalents	26,607	14,263
Trade and other receivables	38,944	41,764
	65,551	**56,027**
Financial liabilities		
Trade and other payables	52,707	53,782
Net financial assets	**12,844**	**2,245**

(e) Liquidity risk

Liquidity risk is the risk that the Group would be unable to meet its financial obligations as and when they fall due. The Group manages liquidity risk by closely monitoring forecast cash flows to ensure that adequate funding is maintained at all times. Refer to Note 1(g) and 25 for additional commentary.

The Department has agreed to provide adequate cash flow support through Public Transport Victoria to enable the consolidated entity to meet its current and future operational obligations as and when they fall due for a period up to September 2016, should this be required. This assurance from DEDJTR for financial support only applies while the consolidated entity remains in full state ownership.

NOTE 15 FINANCIAL INSTRUMENTS (continued)

Maturity analysis of contractual financial liabilities

		Maturity dates				
	Carrying Amount $'000	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	5+ years $'000
2015						
Payables:						
Trade payables	21,885	-	21,885	-	-	-
Accruals	22,267	-	22,267	-	-	-
Other payables	8,555	8,555	-	-	-	-
Total	**52,707**	**8,555**	**44,152**	**-**	**-**	**-**
2014						
Payables:						
Trade payables	41,878	-	41,332	546	-	-
Accruals	6,104	-	6,104	-	-	-
Other payables	5,800	5,800	-	-	-	-
Total	**53,782**	**5,800**	**47,436**	**546**	-	-

(f) Foreign currency risk

The Corporation is exposed to limited foreign currency risk arising from AUD:USD exchange rate fluctuations relevant to the purchase of diesel fuel and fleet maintenance.

(g) 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:

- The movement of 100 basis points up and down (2014: 100 basis points up and down) in market interest rates, would result in the net result increasing/(decreasing) by $266,000/($266,000) (2014: $143,000/ ($143,000)).

NOTE 16 CASH FLOW INFORMATION

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

	2015 $'000	2014 $'000
Net result for the period	**(2,117)**	**(6,913)**
Non-cash movements		
Depreciation of non-current assets	19,447	19,529
Tax expense/(benefit)	(976)	(2,974)
Movements in assets and liabilities		
(Increase)/decrease in trade and other receivables	2,354	(16,736)
(Increase)/decrease in inventories	216	(376)
(Increase)/decrease in prepayments	207	(2,972)
(Decrease)/increase in trade and other payables	4,722	13,224
(Decrease)/increase in employee benefits	3,413	(2,408)
Net cash flows from/(used in) operating activities	**27,266**	**374**

(b) Reconciliation of cash and cash equivalents

	2015 $'000	2014 $'000
Cash and cash equivalents in the consolidated balance sheet		
Cash at bank	26,447	14,099
Cash on hand	160	164
	26,607	**14,263**

NOTE 17 RESPONSIBLE PERSONS

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

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

Responsible Ministers:

Minister for Public Transport & Roads	The Hon. Terry Mulder MP	1 Jul 2014 to 03 Dec 2014
Minister for Public Transport & Employment	The Hon. Jacinta Allan MP	04 Dec 2014 to 30 June 2015
Treasurer	The Hon. Michael O'Brien MP	1 Jul 2014 to 03 Dec 2014
	The Hon. Tim Pallas MP	04 Dec 2014 to 30 June 2015

Accountable Officer:

The person who held the position of Accountable Officer during the year ended 30 June 2015 was:

Chief Executive Officer	Mr T Taifalos	1 Jul 2014 to 30 Jun 2015

NOTE 17 RESPONSIBLE PERSONS (continued)

Board of Directors:

The directors of the parent entity during the year ended 30 June 2015 were:

Mr Hector McKenzie

Mr John Wilson

Dr Joshua Wilson QC

Ms Marion Macleod

Ms Amanda Derham

Mr David Harris

Ms Deborah Spring

Dr Joshua Wilson QC resigned as a Director of V/Line Corporation on 18 September 2014 and as a Director of V/Line Pty Ltd on 18 September 2014.

Mr Hector McKenzie, Mr John Wilson, Ms Marion Macleod, Ms Amanda Derham and Ms Deborah Spring ceased to be Directors of V/Line Corporation and resigned as Directors of V/Line Pty Ltd on 30 June 2015, which forms part of the consolidated entity from 30 June 2015.

The Hon Jacinta Allan, MP, Minister for Public Transport, Minister for Employment announced the appointment of five new Board of Directors of V/Line Corporation. The appointments to the board of V/Line Corporation of the new directors was completed on 1 July 2015.

The directors in office at the time of signing these accounts are:

Directors	Appointed
Ms Jennifer Dawson	1 July 2015
Mr Craig Cook	1 July 2015
Mr John Donovan	1 July 2015
Ms Gabrielle Bell	1 July 2015
Ms Kay Macaulay	1 July 2015
Mr David Harris	23 January 2014

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Corporation during the reporting period was in the range of $510,000 - $519,999 ($450,000 - $459,999 in 2013-14). The base remuneration received by the Accountable Officer during the reporting period was in the range of $480,000 - $489,999 ($450,000 - $459,999 in 2013-14).

The total remuneration paid or payable to all directors during the reporting period was $224,303 ($231,364 in 2013-14).

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

	2015 No.	2014 No.
Income band		
$ 0 - $ 9,999	1	3
$10,000 - $19,999	-	1
$20,000 - $29,999	-	4
$30,000 - $39,999	5	1
$40,000 - $49,999	-	-
$50,000 - $59,999	1	1

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet. During the year, there were no related party transactions with the directors.

NOTE 18 REMUNERATION OF EXECUTIVES AND PAYMENTS TO OTHER PERSONNEL (I.E. CONTRACTORS WITH SIGNIFICANT MANAGEMENT RESPONSIBILITIES)

(a) Remuneration of executives

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

Income Band	Total Remuneration		Base Remuneration	
	2015 No.	2014 No.	2015 No.	2014 No.
$100,000 - $109,999	-	-	1	-
$110,000 - $119,999	1	1	-	1
$120,000 - $129,999	-	1	1	1
$130,000 - $139,999	1	1	-	1
$160,000 - $169,999	-	2	-	2
$200,000 - $209,999	-	1	2	1
$210,000 - $219,999	-	1	-	1
$220,000 - $229,999	2	-	1	-
$230,000 - $239,999	-	1	-	1
$240,000 - $249,999	-	1	-	1
$250,000 - $259,999	1	1	2	1
$260,000 - $269,999	-	1	-	1
$280,000 - $289,999	2	-	-	-
$320,000 - $329,999	-	-	2	-
$350,000 - $359,999	2	-	-	-
Total number of executives	**9**	**11**	**9**	**11**
Total annualised employee equivalent (AEE) (i)	**7**	**9**	**7**	**9**
Total amount	**$2,318,191**	**$2,463,807**	**$2,102,970**	**$2,458,807**

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

NOTE 18 REMUNERATION OF EXECUTIVES AND PAYMENTS TO OTHER PERSONNEL (I.E. CONTRACTORS WITH SIGNIFICANT MANAGEMENT RESPONSIBILITIES) (continued)

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

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

Expense Band	Total expenses (exclusive of GST)	
	2015 No.	2014 No.
$150,000 - $159,999	1	-
$190,000 - $199,999		1
Total expenses (exclusive of GST)	$154,228	$195,000

NOTE 19 REMUNERATION OF AUDITORS

	2015 $'000	2014 $'000
Amounts received or due and receivable by the auditors for auditing the group:		
- audit of the financial statements – Victorian Auditor General's Office	110	92
	110	**92**

NOTE 20 RELATED PARTY DISCLOSURES

Related party	Nature of transaction	Terms and conditions	2015 $	2014 $
Payments				
Public Transport Victoria	Provision of network marketing and customer information services including operation of a call centre	In accordance with the Services Agreement	3,284,345	3,297,717
Victorian Rail Track	Provision of communication services	In accordance with agreement between the parties	17,413,605	11,780,478
Receipts				
Public Transport Victoria	Provides funding to the Corporation	In accordance with the Services Agreement	369,848,112	326,483,774
Public Transport Victoria and Department of Economic Development, Jobs, Transport and Resources (formerly Department of Transport, Planning and Local Infrastructure)	Reimbursement of project expenditure and other miscellaneous expenses	In accordance with agreement between the parties	188,665,017	150,917,031
Victorian Rail Track	Management fee for rent collection	In accordance with agreement between the parties	15,079	19,608
Victorian Rail Track	Network access charges & reimbursement of project expenditure & other miscellaneous expenditure	In accordance with agreement between the parties	1,032,101	474,970

All amounts disclosed above are inclusive of GST.

The parent company did not have any related party transactions within the wholly-owned group.

NOTE 21 COMMITMENTS FOR EXPENDITURE OTHER THAN PUBLIC PRIVATE PARTNERSHIPS

Commitments for future expenditure primarily relate to the lease of tool of trade, vehicles and plant and equipment. There are also commercial lease agreements in relation to tenancy at 628 Bourke Street Melbourne and 750 Collins Street Docklands which expire in 2018 and 2019 respectively and include fixed rate increases of 4.25% and 3.5% at the dates specified in the agreements. The total operating lease expense for the year was $4.2 million (2014: $5.1 million).

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

Commitments for minimum contractual payments are payable as follows:

Commitments payable

Nominal values	2015 $'000	2014 $'000
Capital commitments payable		
Less than 1 year	2,832	-
Total capital commitments	**2,832**	**-**
Operating and lease commitments payable		
Less than 1 year	6,541	7,298
Longer than 1 year but not longer than 5 years	15,799	15,277
5 years or more	585	585
Total operating lease commitments	**22,925**	**23,160**
Other Commitments payable		
Less than 1 year	3,960	4,071
Longer than 1 year but not longer than 5 years	11,880	15,840
5 years or more	-	-
Total other commitments	**15,840**	**19,911**
Total commitments (inclusive of GST)	**41,597**	**43,071**
Less GST recoverable from the ATO	3,781	3,915
Total commitments (exclusive of GST)	**37,816**	**39,156**

NOTE 22 SUPERANNUATION

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

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

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

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

	Paid contribution for the year		Contributions outstanding at year end	
Fund	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**
Defined benefit plans[(i)]				
State Superannuation Fund – revised and new	5,768	5,971	525	522
Transport Superannuation Fund	1,920	1,878	172	187
Total defined benefit plans	**7,688**	**7,849**	**697**	**709**
Defined contribution plans				
VicSuper	5,581	5,170	756	736
Various other	3,691	2,526	567	408
Total defined contribution plans	**9,272**	**7,696**	**1,323**	**1,144**
Total superannuation plans	**16,960**	**15,545**	**2,020**	**1,854**

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

NOTE 23 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

On 22 August 2014, a collision occurred near Altona between a V/Line train and a Metro train. The matter has been referred to V/Line's insurers who are dealing with the claim. V/Line has taken up any likely costs not covered for this matter in determining the result for the year ended 30 June 2015.

V/Line's operations are subject to various environmental regulations under both Commonwealth and State laws. We take active steps to improve our environmental management systems and internal procedures, to help discharge its obligations under these laws. In 2014-15 there have been two incidents of alleged vegetation disturbance, with V/Line investigating the incidents and where necessary working with the Department of Environment, Land, Water and Planning (DELWP) to put in place a remediation plan.

A Clean Up Notice was issued in June 2015 under section 62A of the *Environment Protection Act 1970 (Vic) (EPA Act)* relating to legacy contamination at Ararat. The contamination is to a small section of rail land adjacent to the disused rail line between Ararat and Maryborough, near the Grano Street level crossing. This notice replaces the original notice issued in 2008. V/Line is reviewing the clean-up plan for the site.

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

As at the date of this report, V/Line has two employment related claims being defended. These matters arise from time to time and are investigated and dealt with appropriately. As at the date of this report, V/Line is still dealing with the claims and no material costs are expected to be incurred by V/Line.

There are no material contingent assets.

NOTE 24 SUBSEQUENT EVENTS

The financial statements were authorised for issue on 17 August 2015.

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

NOTE 25 ECONOMIC DEPENDENCY

The Group provides public transport services to rural and regional Victoria and is also responsible for the management and maintenance of the rail network. The provision of these services is subsidised by the State Government of Victoria. Without the Letter of Support the Group could not continue as a going concern. The subsidy requirements for the period up to 30 September 2016 have been approved by the State.

NOTE 26 DIVIDENDS

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

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

Strategic Priorities	Strategic Objectives
Safety and environment	Introducing a safety and environmental culture through a company-wide safety improvement program is our first priority.
Commerciality	Developing a business-wide program that focuses on improving productivity and effectiveness with all unnecessary costs removed.
Leadership and culture	Transforming our culture to one where our people are highly engaged and work together, to provide great service to our customers and look after each other to make V/Line a safe place to work.
Organisation effectiveness	Creating an organisational structure that ensures we're customer-focused, providing affordable, reliable and efficient services.
Operational excellence	Enhancing our customers' experience throughout their journey and positioning them at the centre of everything we do.

About V/Line

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 has a 2013–14 to 2015-16 Services Agreement with Public Transport Victoria to operate regional rail across Victoria. V/Line operates Victoria's regional passenger rail services on lines to Geelong, Warrnambool, Melton, Bacchus Marsh, Ballarat, Ararat, Maryborough, Kyneton, Bendigo, Swan Hill, Echuca, Albury, Shepparton, the Latrobe Valley, Sale, and Bairnsdale. V/Line also manages the V/Line-branded coach services servicing regional Victoria.

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

Key performance indicators include Serious Injury Frequency Rate (SIFR), Signal Passed at Danger (SPAD), service delivery, customer satisfaction, financial performance and patronage levels.

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

In accordance with the requirements of our Services Agreement, regular reports are provided to Public Transport Victoria covering all aspects of our delivery of its obligations under this agreement. As a state-owned business corporation, V/Line also provides performance reports to the Department of Treasury and Finance and the Department of Transport, Planning and Local Infrastructure.

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.

Legislation	Requirement	Page Reference
Ministerial Directions		
Report of operations – FRD guidance		
Charter and purpose		
FRD 22F	Manner of establishment and the relevant Ministers	2,3,32,79,86
FRD 22F	Purpose, functions, powers and duties	2,32,46,86
FRD 22F	Initiatives and key achievements	4-6,16,18,22-23
FRD 22F	Nature and range of services provided	2,86
Management and structure		
FRD 22F	Organisational structure	32
Financial and other information		
FRD 10	Disclosure index	87-88
FRD 15B	Executive officer disclosures	32,80
FRD 22F	Employment and conduct principles	20
FRD 22F	Occupational health and safety policy	8,12-13
FRD 22F	Summary of the financial results for the year	9,27
FRD 22F	Significant changes in financial position during the year	9,27
FRD 22F	Major changes or factors affecting performance	4-6
FRD 22F	Subsequent events	85
Financial Report		
FRD 22F	Application and operation of Freedom of Information Act 1982	36
FRD 22F	Compliance with building and maintenance provisions of Building Act 1993	36
FRD 22F	Application and operation of the Protected Disclosure 2012	36
FRD 22F	Details of consultancies over $10 000	28-29
FRD 22F	Details of consultancies under $10 000	28-29
FRD 22F	Statement of availability of other information	37
FRD 24C	Reporting of office-based environmental impacts	13-15
FRD 25B	Victorian Industry Participation Policy disclosures	36
FRD 29A	Workforce Data disclosures	21
SD 4.5.5	Risk management compliance attestation	35
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation	35
SD 4.2(g)	Specific information requirements	5-6,8-11
SD 4.2(j)	Sign-off requirements	6

Legislation	Requirement	Page Reference

Ministerial Directions

Financial Report

Financial statements required under Part 7 of the FMA

SD4.2(a)	Statement of changes in equity	44
SD4.2(b)	Operating statement	42
SD4.2(b)	Balance sheet	43
SD4.2(b)	Cash flow statement	45

Other requirements under Standing Directions 4.2

SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	47
SD4.2(c)	Compliance with Ministerial Directions	39
SD4.2(d)	Rounding of amounts	49
SD4.2(c)	Accountable officer's declaration	39
SD4.2(f)	Compliance with Model Financial Report	39

Other disclosures as required by FRDs in notes to the financial statements

FRD 21B	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	78-81
FRD 102	Inventories	62
FRD 103E	Non-Financial Physical Assets (Pending revision)	62
FRD 106	Impairment of Assets	64
FRD 110	Cash Flow Statements	78
FRD 112D	Defined Benefit Superannuation Obligations	84
FRD 113	Investments in Subsidiaries, Jointly Controlled Entities and Associates (Pending revision)	49,69
FRD 114A	Financial Instruments – General Government Entities and Public Non-Financial Corporations	72

Other disclosures

Statement of Corporate Intent	86

Legislation

Freedom of Information Act 1982	36
Building Act 1993	36
Protected Disclosure Act 2001	36
Victorian Industry Participation Policy Act 2003	36
Financial Management Act 1994	39-41

Project team
Denis Grigolato
Francesco Neri
Ebony Jordan

Design
V/Line/Oliver Yuen

ACCESSIBILITY

If you would like to receive this publication in an accessible format, such as large print or audio, telephone 03 9619 5958 or email community.relations@vline.com.au

V/Line Pty Ltd
ABN 29 087 425 269
GPO Box 5343
Melbourne VIC 3001

Head Office / Administration
Level 9, 750 Collins Street
Docklands VIC 3008
Telephone (03) 9619 5900
Facsimile (03) 9619 5000
vline.com.au

Customer information, reservations, sales & feedback
Freecall 1800 800 007

ISSN 2204-0056 (Print)

Printed by CMYKhub, Heidelberg West

MSR00753 Authorised by V/Line Pty Ltd, 750 Collins St, Docklands