



# V/LINE ANNUAL REPORT

2021–2022





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## **Acknowledgement of Country**

V/Line acknowledges the Traditional Custodians of the lands and waters on which we live and work and pay our respect to their Elders past and present.

We commit to continued listening, learning and working in partnership to create simple, safe, connected journeys and recognise the traditional trade routes and ceremonial paths, which allowed our First Nations people to easily connect across this land.

We recognise the cultural significance of these paths and routes and acknowledge that some of the transport networks and assets we use today follow these traditional routes.

We are genuinely committed to advancing Aboriginal self-determination and supporting Aboriginal communities, we recognise the importance of strengthening our ongoing relationships with First Peoples, and that self-determination is driven by the Aboriginal community.

# Responsible Body's declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present V/Line Corporation's Annual Report for the year ending 30 June 2022.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Matt Carrick', is written over a light grey rectangular background.

**Matt Carrick**  
Chief Executive Officer  
V/Line Corporation

10 October 2022

# Section 1

# Year in review



# Purpose, Vision, Mission, Values

## Purpose

To provide a connected and bright future for Victorians

## Vision

A modern, high performing railway and coach service for all

## Mission

Connecting Victoria by empowering our people to be their best

## Values

V/Line operates according to Victorian public sector values, which are:

- Responsiveness
- Integrity
- Impartiality
- Accountability
- Respect
- Leadership
- Human rights

# Chief Executive Officer's Report



V/Line has undergone significant change over the last 12 months.

Commencing on 1 July 2021, V/Line transitioned to its new governance structure as a statutory authority. This was followed by a number of additional governance reforms delivered as part of a broader Governance Reform Program intended to improve customer outcomes by aligning V/Line more closely with the rest of the transport portfolio. These reforms included:

- the appointment of a new Advisory Board, and new independent Audit and Risk Committee
- an overhaul of internal management committee structures
- the execution of a new Service Level Agreement with the Department of Transport
- the implementation of a range of updates to policies and procedures.

We have also undertaken a restructure of our Executive Leadership Team (ELT) and associated functional groups. These changes, including a reduction in the size of the ELT from 12 to seven, have focused on providing greater clarity of responsibilities, and a balance between the organisation's technical and enabling groups.

In addition to these changes, I am honoured to have been appointed as Chief Executive Officer for a further period of four years to July 2026.

V/Line delivers services as part of an inclusive, integrated and sustainable Victorian transport system.

Throughout 2021-22, and amidst the evolving context of COVID-19, V/Line continued to provide its critical services, operating a full train timetable to support all Victorians, as well as over 1,500 weekly coach services across Victoria

and into South Australia, New South Wales and the Australian Capital Territory.

During this time, we worked closely with the Victorian Government on health and safety measures to provide a COVIDSafe environment for passengers and staff.

Despite the challenges presented by the changing pandemic environment, including the impacts of COVID-19 infection and isolation requirements, V/Line delivered high levels of operational punctuality and reliability during 2021-22.

As at June 2022, we have seen passengers returning to the rail and coach network in greater numbers, with overall patronage levels on V/Line services around 65 to 70 per cent of 2019 pre-COVID-19 levels.

The safety of our staff and customers continues to be V/Line's number one priority. I'm very pleased to note that V/Line has once again achieved improved safety results across key indicators over the year, and will continue to strive for improvement in the years to come.

V/Line also aspires to deliver a user experience that is inclusive, efficient, flexible and provides for ease of use for all trip types.

The implementation of a fully accessible network for all of our passengers remains our goal, and while we have made progress towards this essential outcome, we know there is more to be done and critically, more investments to be made.

As V/Line transitioned to a new four-year funding model for passenger line maintenance, we undertook extensive works throughout the passenger and freight network to ensure the safety and reliability of services, delivering \$145.9 million in Routine Maintenance and \$108.4 million in Major Periodic Maintenance as part of the 2021-22 Annual Works Plan.

These works included:

- sleeper replacement across freight and passenger lines
- rail milling to remove rust and debris
- upgrades to 41 level crossings
- bridge and culvert renewals and upgrades, and tunnel refurbishments
- extensive ballast replenishment
- station works including pit renewals, carpark upgrades, canopy repairs, customer amenity upgrades, platform surface and tactile improvements.

The new four-year works program has created opportunities for a more strategic and efficient approach to asset management, and enabled savings realised to exceed targets, with further opportunities and initiatives identified for the 2022-23 financial year.

A key focus for V/Line is the continued promotion of rail freight mode share. Significant upgrade and improvement works were carried out across Victoria's freight rail network throughout 2021-22. These upgrades included extensive track improvement works and sleeper replacements on regional freight lines and grain terminals. As a result, Victoria's freight network is in the best condition it has been for many years. Increases in axle load capacity have been undertaken at grain terminals which has supported the operation of heavier, more efficient freight trains across our network.

V/Line has continued to work closely with Rail Projects Victoria (RPV) to deliver the Victorian and Federal Government's more than \$4 billion investment into the Regional Rail Revival program to upgrade passenger train lines across regional Victoria. V/Line has been contracted to deliver several projects under this program and works closely with RPV to oversee the staged delivery of other upgrades and improvements.

These works have necessitated the delivery of an unprecedented level of timetable change to enable additional services to be delivered across the network, as well as the deployment of an additional two VLocity units onto Bacchus Marsh services in July 2021 to provide increased capacity and comfort for passengers during peak periods.

In December 2021, V/Line delivered a new timetable for Echuca services following the commissioning of a new station in Goornong along the northern corridor as well as the introduction of modern VLocity trains for our north east customers. Gippsland line passengers have also benefited from improved train and coach services resulting from changes to the metropolitan Cranbourne line timetable in February 2022.

Our staff are the lifeblood of our organisation and V/Line is proud to employ a large and diverse workforce which extends right across Victoria. Our headcount has continued to grow from 2,338 in 2020-21 to 2,491 at 30 June 2022, reflecting the growth in our operations across the State.

We are committed to a safe and inclusive workplace in which our people have opportunities to develop and feel empowered to be their best. V/Line embraces its role in championing gender equality, and I'm pleased to report an increase in the proportion of women in V/Line's workforce to 26.2 per cent during the year, and 41.2 per cent of women in leadership positions. While these numbers are encouraging, we know we still have work to do to ensure our workforce is truly reflective of the communities we serve.

Understanding that a diverse and inclusive workforce generates tangible innumerable benefits, we continued the delivery of action plans aligned to six priority areas including Aboriginal and Torres Strait Islander people, gender, culturally and linguistically diverse people, generational, lesbian, gay, bisexual, transgender, intersex, queer+ and people with lived experience of disability.

As a passionate supporter of regional Victorian communities, during the year V/Line worked to strengthen our existing community partnerships and invest in new opportunities that will see our communities grow and prosper. Our major partnership with AFL Victoria continued with the resumption of the V/Line Cup in April 2022, following a pause in competition in 2020 and 2021 due to COVID-19.

V/Line also continued its long-standing partnership with Travellers Aid Australia, which sees volunteers help passengers with their travel needs at Southern Cross, Flinders Street and Seymour stations. V/Line once again participated as a major transport partner of the 2022 Pride season, including the carnival day and street parade at the Daylesford Chillout festival.

It has been a huge year for V/Line with continued strong performance, underpinned by a commitment and passion for our regional communities. I extend my thanks to the ELT for their support and guidance throughout the year, our key transport partners including the Department of Transport, our people for their dedication to our organisation and, most importantly, our customers.

With substantial ongoing investment in the regional network, and new structures and processes in place to set us up for success, it is an exciting time to be a part of V/Line. I look forward to V/Line building on the achievements of 2021-22 throughout the next financial year.



Matt Carrick, *Chief Executive Officer*





# Manner of Establishment and Responsible Ministers

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

V/Line is governed by the *Transport Integration Act 2010*, which sets out its objectives and functions. V/Line operates as a not-for-profit corporation. During 2021-22, V/Line was responsible to the Victorian Minister for Public Transport (the Minister) and the Victorian Treasurer.

This report provides a summary of our key activities and financial performance for the period 1 July 2021 to 30 June 2022.

## Department of Transport

V/Line is part of Victoria's transport portfolio, led by the Department of Transport (DoT), Victoria.

The vision of the transport portfolio is to deliver an integrated and sustainable transport system that contributes to an inclusive, prosperous, and environmentally responsible state.

Together, entities in the transport portfolio deliver simple, safe, connected journeys, and are working together to shape the transport system so that it meets the needs of the people that use it now and in the future.

While V/Line is a statutory authority, it is a key contributor of initiatives of DoT and the transport network, so Victorians can stay connected to jobs, education and each other.

## V/Line Corporation

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

Effective 1 July 2021, V/Line ceased to be a state business corporation under the State Owned Enterprises Act and under a Transport Restructuring Order (as defined in the Transport Integration Act) became a statutory authority, with the Chief Executive Officer becoming the sole member of V/Line. Matt Carrick was appointed Chief Executive Officer commencing 12 July 2021.

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

# Nature and Range of Services Provided

## V/Line's Role

V/Line is an operating agency as part of Victoria's integrated transport portfolio, delivering services under a Service Level Agreement with DoT.

V/Line's role is:

- an accredited operator of passenger services including rail and coach
- a freight access provider
- a maintainer of railway infrastructure and rolling stock
- a key contributor towards Victoria's large infrastructure projects
- a supporter of tourist and heritage rail operations.

## About V/Line – Services Provided

V/Line has provided public transport services to regional Victoria for nearly 40 years.

We operate passenger rail services between Melbourne and:

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

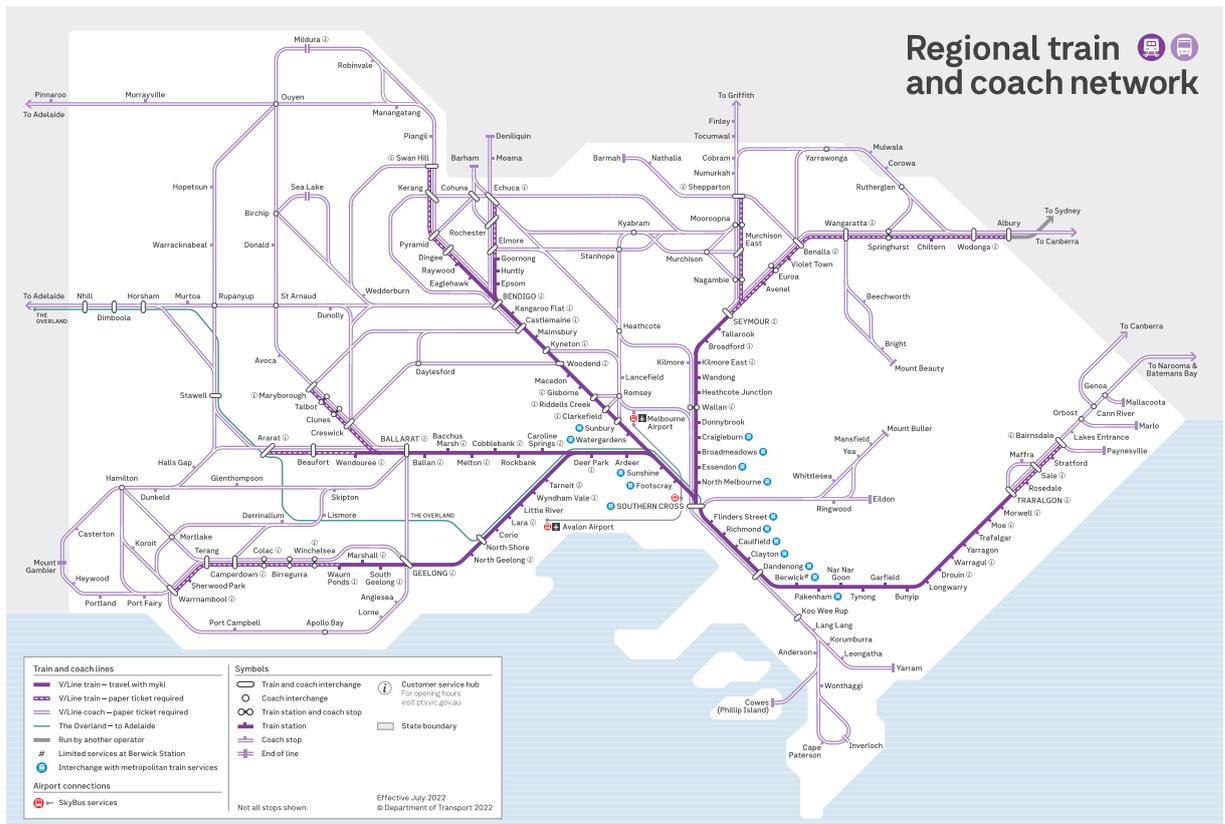
Each week, V/Line schedules more than 2,200 rail services between Melbourne and regional centres. Our coaches provide more than 1,500 complementing and connecting services with our rail network. We provide a multi-modal integrated transport system serving regional Victorian communities, while also providing interstate connections to South Australia, New South Wales and the Australian Capital Territory.

Private sector operators provide all V/Line-branded coach services under the management of V/Line.

V/Line also maintains over 3,540 kilometres of rail track used by passenger and freight rail operators.

V/Line is a major employer with a workforce of 2,491 people as at 30 June 2022 including many who live and work in regional Victoria.

# Passenger Network Map



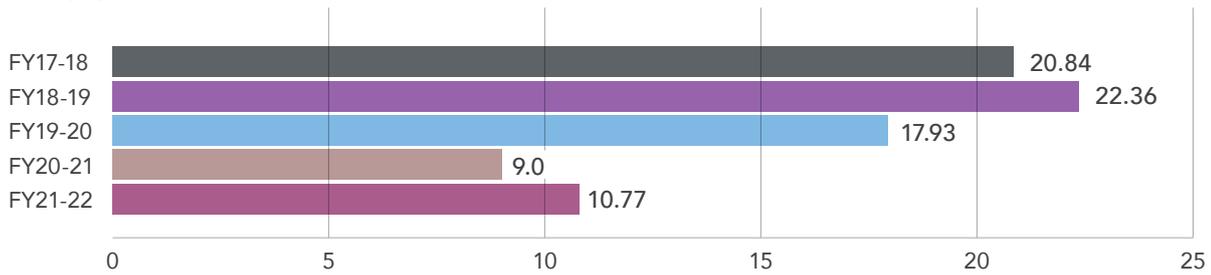
Huntly and Raywood stations opened 2022-23

# Patronage

2017-18 to 2021-22

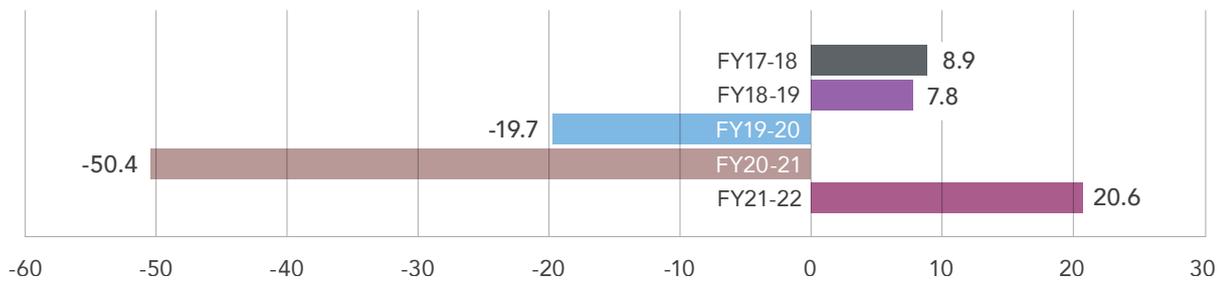
## Train and Coach Patronage

Millions



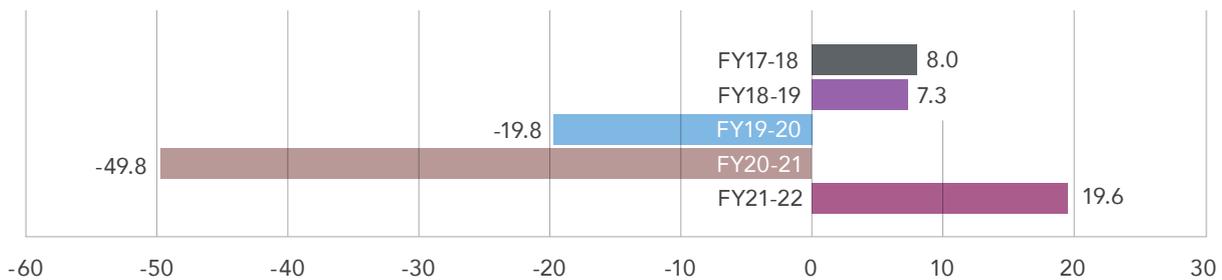
## Train Passenger Trips

% change



## Train and Coach Passenger Trips

% change

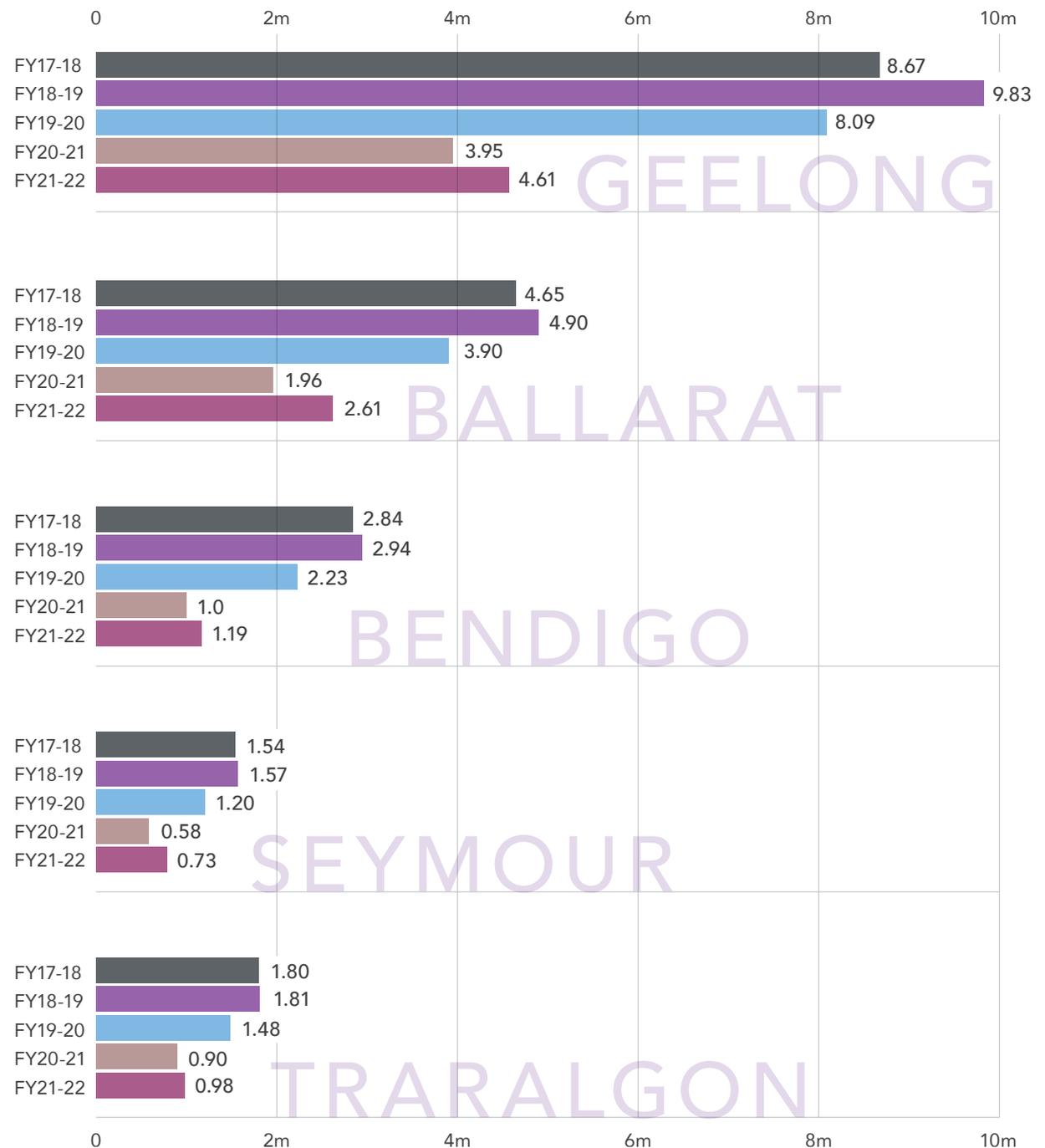


Note: FY2019-20, FY2020-21 and FY2021-22 patronage impacted by COVID-19.



## Rail Patronage by Line

Millions



Note: FY2019-20, FY2020-21 and FY2021-22 patronage impacted by COVID-19.

# Performance Overview

## Facts And Figures

	FY21-22	FY20-21
Total customer trips (rail and coach)	10,764,516	9,002,248
Rail passenger trips	10,107,072	8,380,233
Coach passenger trips	657,444	622,015

### STATIONS

Total number of stations*	96	95
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\* This total includes stations on the regional network, including Mildura and those on the ARTC Albury line together with Metropolitan stations that have regional platforms and/or regional staff.

### CUSTOMERS

Overall customer satisfaction – trains	Note+	79.5
Overall customer satisfaction – coaches	Note+	83.1
Number of customer information enquiries	107,125	131,595
Number of feedback cases	6,498	5,909
Compulsory compensation paid to passengers for V/Line not meeting on-time targets (complimentary ticket value)	\$6,804	\$3,208
Farebox revenue	\$42.5 million	\$32.6 million
Farebox (per cent breakdown)	62 per cent full fare	65 per cent full fare
	38 per cent concession	35 per cent concession

+ Reporting mechanism change; the Customer Satisfaction Monitor methodology used between 1 July 2021 and 28 February 2022 resulted in 79.8 for rail and 82.8 for coaches. Customer Experience Index methodology used from 1 March 2022 to 30 June 2022 resulted in satisfaction scores of 80.1 for rail and 76.2 for coaches. Further clarification on the methodology can be found on page 17.

### FINANCE

Total income	\$1.2 billion	\$1.0 billion
Total expenses	\$1.2 billion	\$1.0 billion
Income tax benefits/(expenses)	\$(5.7) million	\$(2.2) million
Net result #	\$2.1 million	\$20.5 million

# Includes tax, realised gains/losses on financial instruments and discounting movement in leave provisions.

### EMPLOYEES

Full-time staff	2,316	2,177
Total staff	2,491	2,338

## Facts And Figures

FY21-22

FY20-21

### FLEET

VLocity carriages	291	264
Locomotives	33	33
Loco-hauled carriages	133	133
Sprinters (single unit)	21	21

### HEALTH, SAFETY AND ENVIRONMENT

SIFR (Serious Injury Frequency Rate) = LTI (Lost Time Injury) and MTI (Medically Treated Injury) per million hours worked	14.82	16.2
Signals passed at danger (SPAD) per million km (Human Factors + Technical) – Forecast: 2.50	3.43	2.99
Signals passed at danger (SPAD) per million km (Human Factors only) – Forecast: 1.40	1.43	1.81
Emissions Intensity – tonnes per 1000 passenger kilometre (tCO <sub>2</sub> -e/1000 Pass km)	0.24 <sup>†</sup>	0.28 <sup>†</sup>

<sup>†</sup> Emission results are based on the most current data available at the time of reporting (previous data is updated as a result).  
Note: COVID-19 has significantly impacted emissions intensity due to reductions in passenger numbers.

### SERVICE DELIVERY

Reliability overall (commuter and long-distance services, average monthly performance) – Target: 96 per cent	92.7 <sup>^</sup>	96.1
Reliability – commuter	92.8	95.9
Reliability – long-distance	92.4	96.9
Punctuality overall (commuter and long-distance services, average monthly performance) – Target: 92 per cent	92.8	93.5
Punctuality – commuter <sup>1</sup>	93.0	93.5
Punctuality – long-distance <sup>2</sup>	91.4	93.4
Number of services – commuter	86,704	84,028
Number of services – long-distance	13,051	13,415
Number of services that left on time from originating station	90,013	81,923

<sup>^</sup> 2021-22 overall reliability outcome was impacted by significant driver shortages in September 2021 as a result of COVID-19 infection and isolation requirements. Overall reliability outcome excluding this shortage was 95.9 per cent.

<sup>1</sup> On time to five minutes and 59 seconds

<sup>2</sup> On time to 10 minutes and 59 seconds

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

## Delivering our services

While a number of initiatives and improvements were implemented during the year to improve the service performance of rail and coach services, V/Line's focus was to balance performance objectives with:

- the successful delivery of a large number of capital works projects and training events
- the successful preparation and delivery of a large number of timetable changes
- managing patronage fluctuations and the return of special events traffic
- embedding necessary divisional and enterprise organisational changes
- transition and facilitation to the new Service Level Agreement with DoT
- managing the residual impacts of COVID-19 on the coach sector and transition to new coach contracts
- increasing the capability of our operational systems, technological capacity and data intelligence.

## COVID-19

V/Line continued to provide an essential service to communities across Victoria in 2021-22 during COVID-19, operating full train and coach timetables.

Passenger and staff safety was paramount to our ongoing operation during this period, with additional controls implemented including deep cleaning of our trains and coaches, along with the wearing of masks.

An internal COVID-19 testing program was implemented in October 2021 involving 196 continuous days of supervised testing for critical sections of the workforce.

V/Line was an industry leader in implementing the Rapid Antigen Test (RAT) program, sharing our insights and processes with other industries, including major airlines.

V/Line has been selected as a finalist for the Passenger Operations Excellence Award in the 2022 Australian Rail Industry Awards for our work in managing the impacts of COVID-19 on our operations and workforce.

## Operational performance

V/Line delivered punctuality of 92.8 per cent for our rail services during 2021-22. August 2021 represented one of the highest monthly punctuality results achieved in recent years with a punctuality result of 95.3 per cent.

The impact of COVID-19 was significant during 2021-22, with staff shortages as a result of COVID-19 infection and isolation requirements contributing to approximately 45 per cent of all service cancellations. Significant driver shortages in September 2021 contributed to almost 40 per cent of services being unable to be delivered.

92.8 per cent of scheduled train services operated across the network for the 12 months to the end of June 2022. The highest performing month for reliability was August with 98.2 per cent of trains delivered.

In summary, 2021-22 saw a slight decline in punctuality (-0.7 per cent) and a decline in reliability of 3.4 per cent, with performance varying across different lines.

As a multi-modal operator, our rail and coach services provide multiple service offerings to support an integrated, inclusive and growing inter and intrastate public transport system.

During the year, our coach services punctuality was 95 per cent whilst coach connection to our rail network was 99.9 per cent against a target of 99 per cent.

### **Customer experience**

In the third quarter of 2021-22, DoT transitioned to a new Customer Experience Index (CXI) for measuring customer satisfaction, replacing the Customer Satisfaction Monitor (CSM) method. The new CXI introduces more modern approaches to sampling passengers and to assessing how well the needs of passengers using public transport are being met.

V/Line recorded strong rail satisfaction results for 2021-22. The CSM methodology used between 1 July 2021 and 28 February 2022 resulted in 79.8 for rail. Following the implementation of the CXI methodology by DoT, the rail results for the period 1 March 2022 to 30 June 2022 was 80.1.

The CSM methodology used for coaches between 1 July 2021 and 28 February 2022 resulted in 82.8. Under the CXI methodology for the period 1 March 2022 to 30 June 2022 the coach result was 76.2. Low sample sizes across the coach surveys in 2021-22 resulted in volatility and a large margin of error among the coach satisfaction results. V/Line is working collaboratively with DoT to increase the sample size for coach surveys.

V/Line continued to consult with people with lived experience of disability on accessibility matters, increasing the meeting frequency and membership of the Accessibility Reference Group (ARG) and hosting its first Accessibility Forum in a digital format due to COVID-19.

The ARG was formed in 2016 and brings together community members from varying backgrounds, regions and disabilities on a bi-monthly basis to discuss V/Line initiatives, consult on projects and provide important feedback to influence change. The forum represents a safe environment for members to voice concerns and share ideas on innovations that could improve accessibility on the V/Line network. The group has successfully consulted on upgrade and improvement works along the Geelong line, including Waurin Ponds, Marshall and South Geelong station designs, as well as providing feedback on communication access tools and new social scripts.

This year's Accessibility Forum also brought together members of the community with lived experience of disability to consult on the topic of 'return to network'. With more passengers returning to regular travel, it is important for V/Line to hear feedback about accessibility and take action that encourages passengers of all demographics with varied accessibility needs, back to the V/Line network. The members provided invaluable advice on how they would feel most comfortable travelling in a post-COVID-19 environment.

Following feedback from passengers in November 2021, V/Line implemented a new tool for looking up available seating and the ability to book priority seating online for reserved services. The new 'quick seat lookup' tool shows how many seats are available on a service at the journey planning stage to assist in choosing a service that meets the customer's travel needs before moving further through the booking process.

### **Transformation**

The use of full-motion in-cab driver simulators plays an integral role in training drivers, with V/Line securing \$4.3 million in funding to enhance its driver training simulation. Work on upgrading two simulators started in June 2022 providing computer-generated imagery of the Victorian rail network, as well as new portable desktop simulators to assist with training drivers in regional locations. The enhanced simulation training will ensure trainees continue to experience real-life scenarios in a safe and controlled environment in preparation for driving on the network.

### **Operations**

V/Line has implemented new initiatives and created and embedded new functions within its Operations structure to improve processes around critical areas of safety and strategic operational planning.

During 2021-22, V/Line established a new Operations Safety, Quality and Assurance (OSQA) team to provide a consistent and transparent approach to safety and risk, a high-standard and tailored management system for people and assurance strategies in accordance with the V/Line Safety, Sustainability and Risk Framework.

A Planning and Performance team was also established to integrate critical short and long-term planning functions and support continuous performance improvement across V/Line's Operations group. This new team provides a clearly defined structure and focused roles that enable clarity of responsibility for key daily operational planning tasks in train and coach operations, and a more strategic, longer-term lens to operational planning and performance improvement.

V/Line also increased its full-time equivalent (FTE) headcount in a number of teams, including train controllers, yard masters and shunters to reflect network growth and respond to the increasing fleet size and associated management activity work that has occurred during the year. These roles are critical for the daily operation of services and the recruitment of trainees helps to meet the increasing scale of the regional network, improve rostering flexibility and safeguard business continuity.

### **Support for frontline staff**

V/Line has a zero-tolerance approach towards unruly behaviour and passenger and staff abuse.

To help ensure staff feel supported and safe to report incidents of abuse, V/Line implemented a new staff welfare check process for its nearly 700 staff working on the frontline. This new process provides training and education on 'walk and report' methods, tips for avoiding conflict and de-escalation techniques, and ensures V/Line has a mechanism for staff education and improvement in both conflict avoidance and service provision.

It also provides a clearly defined process for reporting and escalating safety incidents that impact the welfare and mental wellbeing of frontline staff and is complemented by a personalised People Safety Welfare Check process, to further support staff who have experienced negative behavior. Implementation of the new process commenced in 2021 and is ongoing.

## Managing our assets

### Maintenance and renewal works

In 2021-22, V/Line transitioned to a new four-year funding model for passenger line maintenance, allowing for improved strategic planning and implementation of a range of initiatives that optimise resources and support cost savings within the Annual Works Plan (AWP).

V/Line transitioned our Major Periodic Maintenance (MPM) delivery program from the Projects group to the Network Development, Assets and Maintenance group. This change led to improved oversight of planning and delivery of MPM works, with better coordination and alignment of resources. A longer-term funding model also created opportunities for a more strategic approach to asset management, a better understanding of future asset condition and performance, and resulted in identification of efficiencies.

Implementation of a new Plant and Equipment Strategy is underway following a whole-of-network review of both Routine Maintenance (RM) and MPM requirements. Efficiencies in mobilisation and demobilisation, reductions in requirements for external plant hire and better utilisation of long-term leased equipment has led to significant savings. A centralised point of contact for AWP plant and equipment is also being established and will continue to mature over the next 12 to 18 months.

V/Line delivered \$145.9 million in RM and \$108.4 million in MPM works across the passenger and freight rail network, as part of the AWP in 2021-22.

V/Line MPM works were carried out across all corridors and included:

- replacement of 145,500 sleepers
- 120 kilometres of rail milling
- 41 level crossing upgrades
- eight bridge renewals and upgrades
- 10 point machine (a mechanical device used for operating railway turnouts) renewals
- four concrete turnout upgrades
- 4,000 metres of ballast replenishment
- six culvert renewals
- station pit renewals at Macedon, Kangaroo Flat and Wallan
- refurbishment of Geelong and Elphinstone tunnels
- two station canopy repairs
- 10 station customer amenity upgrades
- four customer carpark upgrades
- six station platform surface and tactile upgrades.

V/Line continued the Early Work Night Occupations (EWNO) program on all major passenger lines including Ballarat, Geelong and Bendigo, with the program extended to include the Seymour and Gippsland lines. The EWNO program works were completed at night to reduce disruption to passenger services. These works are essential for the ongoing upkeep of the network, helping to deliver:

- improved operational performance by reducing the risk of faults
- a reduction in temporary speed restrictions
- improved track quality results
- increased routine and corrective maintenance work production
- improved tamping plans and targeted areas of concern.

The ongoing management of heat speed restrictions on the rail network has also continued to be a key focus. Despite several days of high temperatures, there were no impacts of heat related issues to our track alignment reported for the passenger network during the 2021-22 summer period. V/Line also continued to undertake its annual vegetation management and fire prevention plan over the year.

V/Line train control assets have been another focus area with works undertaken to improve asset reliability. This included commissioning of a new train control system between Geelong and Warrnambool, and project works underway for an operation control systems hardware refresh.

During 2021-22, V/Line established a new Cyber Security team in accordance with recent government regulation and policies on cyber security resilience. The new dedicated team is responsible for developing and delivering on policies, as well as operational and maintenance procedures, in order to keep the regional transport network secure. Greater resilience to possible cyber-related threats will help reduce the risk of disruptions to services.

### **Fleet**

Four broad gauge and four standard gauge VLocity units were added to the V/Line fleet during 2021-22, providing service improvements and a more comfortable journey for passengers. All units were manufactured by Alstom in Dandenong, Victoria, with at least 70 per cent of materials and labour sourced within Australia. Amenities within the new trains include accessible toilets in each three-car unit, bicycle and luggage storage, wheelchair spaces, mobile phone repeaters, public address and passenger information display (PID) systems, along with hearing aid loops in some units.

Programs to increase the life of rolling stock continued to be rolled out over the year, ensuring V/Line trains are safe and reliable to operate, as well as comfortable and accessible for passengers.

Refurbishments were made to VLocity units, to refresh interiors and exteriors. This included seat restorations and installation of new carpet, automatic announcements and PID systems. Accessibility improvements included extensions to the width of toilet doors in accessible toilets and installation of hearing augmentation.

Our classic fleet underwent regular inspections and maintenance to help reduce the risk of train faults.

In December 2021, V/Line commenced operation of a new \$8.1 million bio-wash facility in Bendigo. The new facility adds much needed bio-wash capacity to the network, helping to speed up the cleaning process to ensure trains can return to service sooner and cater for V/Line's growing fleet. The new indoor facility features state-of-the-art cleaning equipment and elevated railing, allowing staff to complete thorough inspections and clean all parts of a train before it returns to service. The facility adds to V/Line's existing bio-wash at South Dynon, near Southern Cross Station.

Upgrades to the South Dynon Train Maintenance Facility (TMF) to facilitate maintenance requirements for the new standard gauge VLocity units have been completed, concluding a four-year project.

## Supporting Victoria's *Big Build* and key projects

V/Line contributes to the delivery of project-related upgrades and improvements across the regional rail network. V/Line's Projects group coordinates, integrates and drives major projects and programs in a safe, collaborative, innovative and engaging manner, enabling V/Line to be a modern and connected regional service for Victorians.

The team of 270 project professionals supports Victoria's *Big Build*, partnering with the Victorian Government to deliver significant programs such as the Regional Rail Revival (RRR) program, the Level Crossing Removal Program, Metro Tunnel Project, West Gate Tunnel Project, Melbourne Airport Rail and other capability enabling projects across the regional network.

In 2021-22, V/Line managed the delivery of \$200 million in improvements across its network.

V/Line works closely with Rail Projects Victoria (RPV) to deliver the Victorian and Federal governments' investment of more than \$4 billion in the RRR program, to upgrade every passenger train line across regional Victoria. V/Line has been contracted to deliver several key projects that make up the program, and work closely with interface teams to oversee the staged delivery of other upgrades and improvements.

Significant works have been taking place along the Gippsland line over the past 12 months, as part of the Gippsland Line Upgrade (GLU). Station upgrades are in full swing at Bunyip, Longwarry, Traralgon and Morwell, delivering additional platforms at Morwell, Bunyip and Longwarry, and re-commissioning of a platform at Traralgon. The project will enable extra services to be introduced during the peaks between Traralgon and Melbourne, as track duplication, a crossing loop extension and second platforms at stations will provide more opportunities for trains to pass each other. The project also includes a Victorian-first trial of solar-powered wireless level crossing detection technology at Farrells Lane in Stratford.

Construction on the Ararat train stabling upgrade has been completed, doubling the capacity of the existing stabling facility. The project enabled an extra weekday passenger service to Ararat, as part of a new timetable which started on 31 January 2021. The upgrade was contracted to V/Line by RPV and included installing 115 metres of track, building 75 metres of security fencing, lighting and electrical works, and installing 500 metres of asphalt for paths.

As part of Stage 1 of the Warrnambool Line Upgrade, 12 level crossings between Waurin Ponds and Warrnambool have been fitted with boom gates, bells, flashing lights and improved train detection technology to make them safer for motorists, pedestrians and train passengers. The first section of signalling upgrades between Waurin Ponds and Warncoort, were commissioned in May 2022, enabling journey time savings of two to nine minutes on some services as part of timetable changes.

Upgrade works at Waurin Ponds station were completed and commissioned in May 2022. The upgrade, which included construction of a new second platform and track, enabled 20 peak and shoulder peak services to be extended to and from Waurin Ponds station each week, with two extended services in the morning and two in the evening on weekdays as part of a new timetable for the south-west corridor. Major construction on the project was completed at the end of 2021, with final works including fit-outs on the second platform and new pedestrian overpass, as well as installing the remaining 100 metres of track taking place in May 2022. The 1.4 kilometres of duplicated track at the station means trains can now pass each other in this location, improving reliability in this section of the line.

V/Line has been contracted by RPV to deliver a modernised electronic train order (ETO) system for the northern corridor, which will be the first of its kind in Victoria. The new train order system will modernise the train control system in use on the line to enable trains to safely run more often. Ten level crossings between Bendigo and Eaglehawk will be upgraded as part of the overall package of works.

Intermittent periods of works have been taking place since February 2022 and will continue through the year. The project will increase capacity on the Bendigo, Echuca and Swan Hill lines to cater for a growing population and increased train patronage.

As part of the Bendigo Metro 3 project, Goornong station was opened in December 2021, with Huntly and Raywood stations set to be opened ahead of schedule in 2022.

V/Line also continues to support the Shepparton Line Upgrade. Coleman Rail has been contracted by RPV to undertake 59 level crossing upgrades. Planned works in April and May 2022 along the line saw crews complete the first six upgrades between Donnybrook and Shepparton, as part of Stage 2 of the project which will enable VLocity trains to travel on the line. Station upgrades are also nearing completion at Murchison East, Mooropna and Nagambie.

Works are also progressing on a new stabling facility north of Shepparton station as part of Stage 2. The location of the facility enables the stabling tracks to be located within the rail corridor, located in an industrial area, helping to minimise community disruption and environmental impacts including noise. Work is well underway on the project and is targeted for completion in late 2022.

Along the Geelong and Ballarat lines, level crossing removal works continue at Mt Derrimut Road and Robinsons Road in Deer Park, and Fitzgerald Road in Ardeer that will be removed and replaced by a rail bridge in mid-2023, easing delays for the thousands of vehicles that pass through the crossings each day.

Early works began in mid-2021 on a new Deer Park station providing improved facilities, such as increased car parking, accessible platforms, bicycle facilities and landscaping. Major construction is due to begin in mid-2022, with the main commissioning event planned for April 2023. The project is being delivered by the Western Program Alliance.

### **New timetables**

V/Line delivered an unprecedented level of timetable change, implementing four new timetables during 2021-22.

In July 2021, V/Line deployed an additional two VLocity units onto Bacchus Marsh services to provide increased capacity and comfort for passengers during peak periods. The timetable change also saw adjustments to the Ballarat to Ararat coach services, resulting in improved journey times for passengers.

A new timetable was introduced for Echuca services in December 2021 following the commissioning of the new station in Goornong along the northern corridor. This included implementation of new scheduled stops at Goornong station and performance adjustments on the northern and western corridors, resulting in improved connections for passengers in Goornong and reduced delays at Southern Cross Station for northern and western corridor services.

As part of changes to the metropolitan Cranbourne line timetable in February 2022, V/Line's Gippsland line passengers also benefited from improved train and coach services. It resulted in more consistent Gippsland line services and better coach connections at Koo-Wee-Rup and Anderson.

In May 2022, passengers along the Geelong line benefitted from a range of service improvements, including 20 services per week extended to and from Waurin Ponds station thanks to the opening of a new second platform. Nine-carriage VLocity trains were also introduced to and from Wyndham Vale for the first time, improving capacity for passengers along the south-west corridor – the busiest on the regional rail network. The commissioning of Marshall to Warncoort signalling upgrades also resulted in a journey time reduction for passengers along the Warrnambool line.

The regional rail network interfaces with many major projects planned across the state, including Melbourne Metro Tunnel, Melbourne Airport Rail, Geelong Fast Rail and Western Rail Plan. This requires significant modelling and analysis of future configuration states, which group together infrastructure projects to understand the impacts to whole of network timetables. The Integrated Modelling Group (IMG), which is led by DoT and involves collaboration between Metro Trains Melbourne (MTM) and V/Line, supports the planning, development and delivery phases of major projects, to ensure they function together to deliver expected service levels and outcomes.

## Freight

Victoria's freight network is in the best condition it has been for many years. Significant routine and major periodic maintenance works have improved the condition of the network and resulted in the progressive reduction of Temporary Speed Restrictions (TSRs).

TSRs on the freight network reduced from 267.6 kilometres to 109 kilometres over the year with significant reductions occurring on the Tocumwal and Manangatang lines in particular.

In 2021-22, major TSRs were removed between the following line sections:

- Shepparton to Strathmerton: 50 kilometres
- Korong Vale to Quambatook Block Point: 41 kilometres
- Quambatook to Lalbert: 20 kilometres
- Murtoa to Warracknabeal: 18 kilometres
- Korong Vale to Quambatook Block Point: 11 kilometres.

A total of 15 sidings, where trains load product, across the Mildura, Sea Lake and Manangatang lines have been upgraded as part of track improvement works over the previous two years. As part of the works, 10,000 sleepers were replaced enabling rail freight operators to load product onto trains more efficiently.

Four of the 18 broad gauge grain terminals on the freight network are now able to operate at 20 tonne axle loads for approved rolling stock, allowing each wagon to carry up to an additional four tonnes of grain. Seven of the 15 standard gauge grain terminals are also at 21 tonne axle loads following works on the Murray Basin Rail Project.

Work on two new intermodal terminals at Bairnsdale and Ballarat West is also underway. These will provide improved connectivity to ports, regional networks and other locations, as well as improved storage and transfer of freight between rail and road.

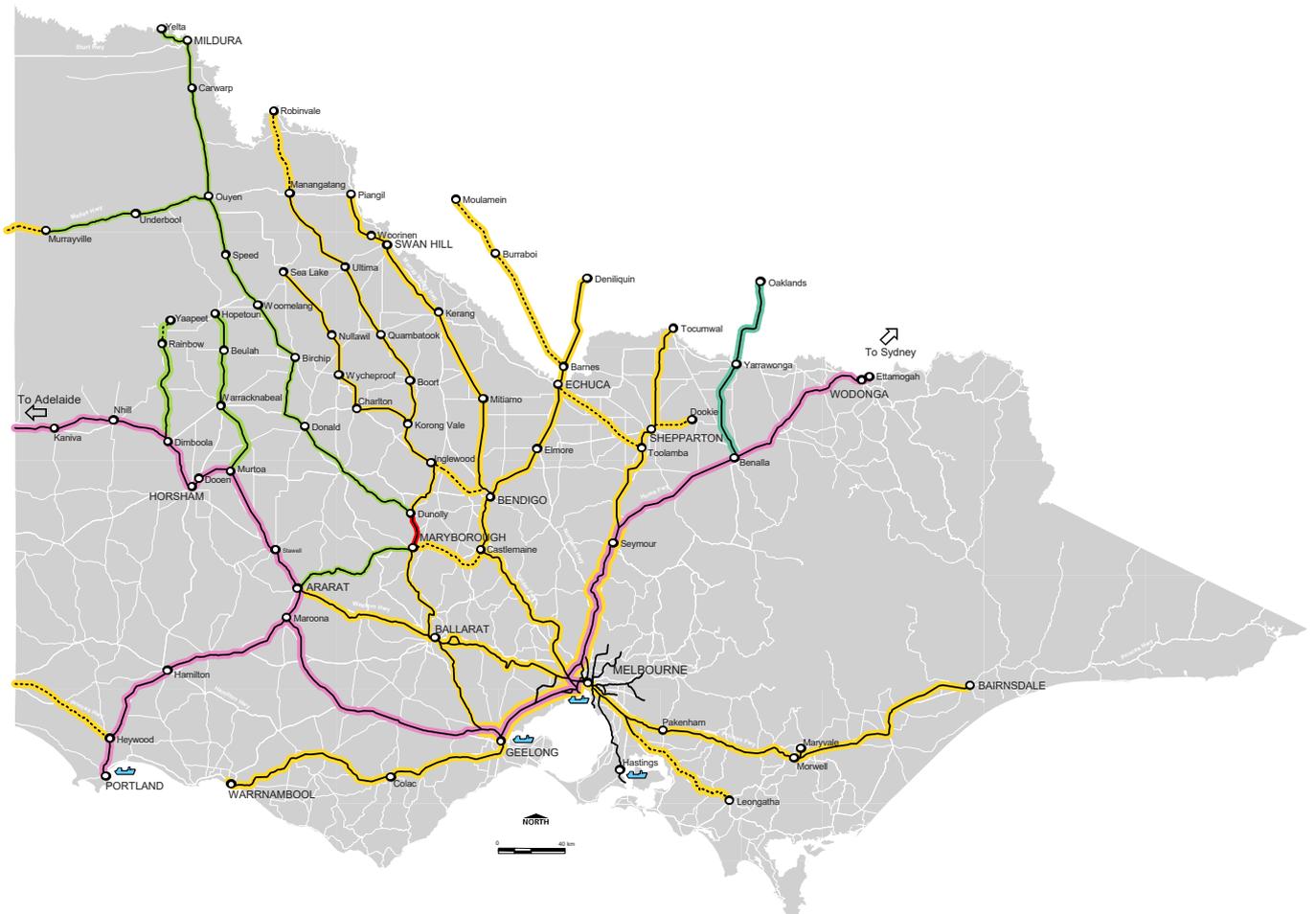
A key initiative for V/Line is to support opportunities to promote rail freight mode share. Grain is the largest commodity moved on the V/Line network, with approximately one-million tonnes moved in 2021-22.

In Victoria, around 4.8 million tonnes of grain is expected to be exported from last year's harvest. As V/Line continues to improve the speeds and reliability of the freight rail network, more of this produce will be transported by rail, taking trucks off roads and resulting in significant benefits for regional economies, grain growers and communities near the ports of Melbourne, Geelong and Portland.

With a single grain train carrying the equivalent of around 50 truck-loads of grain, moving produce by rail also provides fuel efficiencies, generating significantly lower greenhouse gas emissions.

The Victorian Government's commitment of funding for regional freight rail maintenance announced in the 2022-23 State Budget will enable further major upgrades and improvement works to be completed on the freight network, paving the way for longer, heavier and more reliable freight services, and further supporting rural and regional communities.

# Victorian Rail Network Map



**ARTC - Interstate Network**

- Standard Gauge - Interstate Infrastructure Lease
- Standard Gauge - Branch Line Infrastructure Agreement

**V/Line - Regional Infrastructure Lease**

- Broad Gauge
- Dual Gauge
- Standard Gauge

- Railway
- - - Railway out of service
- Port

## Community partnerships

V/Line is a passionate supporter of regional Victorian communities and is committed to investing in partnerships that foster growth and development in areas such as sport, youth, diversity and social inclusion. During the previous 12 months, V/Line has worked to strengthen our existing community partnerships and invested in new opportunities that will see our communities grow and prosper.

V/Line is a major partner of AFL Victoria, having supported the V/Line Cup and V/Line Umpire Academies since 2003, as well as the Youth Girls competition since 2016. The V/Line Cup is an opportunity for boys and girls to play at the highest competitive level in football and is often a stepping-stone to a professional career. The V/Line Cup resumed in April 2022 following a pause in competition in 2020 and 2021 due to COVID-19. More than 600 participants, including players and umpires, attended the event in Shepparton.

In 2021-22, V/Line continued its long-standing partnership with the Doxa Youth Foundation. V/Line has supported the foundation since 1976 by providing free travel for disadvantaged and low-socio-economic schools to attend Doxa camps in Malmsbury and Melbourne. Unfortunately, the camps were unable to be held during 2021-22 due to COVID-19 and V/Line will continue to work with Doxa on possible upcoming opportunities. V/Line also supports the Doxa Cadetship Program which provides professional placements for young people from socially and financially disadvantaged backgrounds. V/Line continues to welcome cadets into various teams within the organisation to give them a first-hand insight into working at V/Line.

V/Line has also supported Beacon's Work Readiness program since 2014 by supporting its educational sessions. The sessions are held across regional Victoria and are designed to prepare and motivate students for a successful transition from education to employment. While face-to-face sessions were unable to go ahead due to COVID-19, V/Line was able to participate in Beacon's MyRoad online mentoring program, with three V/Line staff taking part in individual sessions with more than 10 students from a school in Ballarat.

In-person work readiness sessions resumed in 2021, with V/Line staff supporting regional

students from schools in Terang and Shepparton. In September 2021, once again the sessions transitioned to a virtual environment due to COVID-19.

The Stationeers program continued to provide beautification activities at 27 V/Line railway stations during the year, in partnership with Keep Victoria Beautiful (KVB). V/Line has supported the volunteer program since 2005, working closely with KVB to provide garden supplies and volunteer gardeners to ensure stations are well maintained. V/Line has also supported KVB with recruitment of diversity working groups, as part of efforts to engage the broader regional community.

During 2021-22, V/Line also continued its long-standing partnership with Travellers Aid Australia. The service sees volunteers help passengers with their travel needs at Southern Cross, Flinders Street and Seymour stations. V/Line's partnership with Travellers Aid Australia enables support for volunteer programs, training, travel support and promotional activities.

V/Line also renewed its partnership this year with the Castlemaine State Festival, providing free coach services to and from Castlemaine for the event during March and April 2021, helping connect communities in regional Victoria with access to the arts and increase visitation to the region from Melbourne and interstate.

V/Line once again participated as a major transport partner of the 2022 Pride season, including the carnival day and street parade at the Daylesford Chillout Festival. V/Line supported leaders of Victorian LGBTIQ+ organisations with their travel to the 'Racism in the LGBTIQ+ Community' panel discussion, as part of the Bendigo PRIDE Festival and hosted the Victorian Commissioner for LGBTIQ+ Communities Todd Fernando aboard the V/Line PRIDE train. V/Line staff from across Victoria joined in these events to show their support for the Victorian LGBTIQ+ community.

V/Line also actively supported a number of exhibitions in both metropolitan Melbourne and regional Victoria including Bendigo Art Gallery's *Elvis: Direct from Graceland* and the National Gallery of Victoria's Melbourne Winter Masterpieces 2022: *The Picasso Century*. These events provide a significant economic benefit to the State and V/Line is proud to play a role, particularly in promoting public transport usage to and from these events.

# Performance Reporting – Financial

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

Five year financial summary	2021-22	2020-21	2019-20	2018-19	2017-18
Income from government	1,106,393	974,355	845,419	749,942	898,880
Total income from transactions	1,173,518	1,024,991	950,768	931,822	1,069,907
Total expenses from transactions	1,186,852	998,249	931,469	962,053	1,075,631
Net result after tax	2,119	20,512	14,345	(30,355)	234
Net cash flow from operating activities	53,843	52,836	36,673	(41,675)	81,762
Total assets	394,575	375,562	302,953	210,268	333,041
Total liabilities	306,158	295,778	252,333	176,920	265,465

Income from government increased in 2021-22 by \$132.0 million. The increase reflects the growth in RM and MPM investments to support operational performance on the network and increased activity in V/Line's interface works and facilitation of the RRR Program and other major transport projects impacting the regional rail network.

This continues the trend in increased government investment over recent financial years for the provision of services across the network and the additional support to offset a reduction in farebox revenue, as a consequence of COVID-19.

Total income from transactions increased by \$148.5 million in 2021-22 with the additional income from government and the progressive recovery in farebox revenue from the prior year, which was more severely impacted by COVID-19.

The net result after tax of \$2.1 million (\$7.8 million pre-tax) is positive and has been favourably impacted by cost savings and efficiencies gained from a range of procurement and operational improvement activities undertaken across the organisation.

The favourable net result generated by V/Line will be used to fund activities and initiatives to support customer and operational outcomes in future periods.

The net cash flow from operating activities of \$53.8 million in 2021-22 was positive due to the favourable net result after tax, along with V/Line's management of working capital levels. On a cash basis, the net result after tax is further favourable when \$29.2 million of non-cash depreciation and amortisation charges included in the result are added back to derive the underlying cash flow impact.

This result has primarily driven the increase in the overall cash and cash equivalents held by V/Line from \$48.0 million to \$78.0 million.

Total assets were consistent with the prior year with increased cash and cash equivalents offsetting the reduction in receivables with the recovery of outstanding debtors during the financial year and reduction in fixed assets due to depreciation. Total liabilities remained consistent with the previous financial year.

## Disclosure of grants and transfer payments

V/Line has not provided financial assistance via grants and/or transfer payments to any companies or organisations during 2021-22.



## Section 2

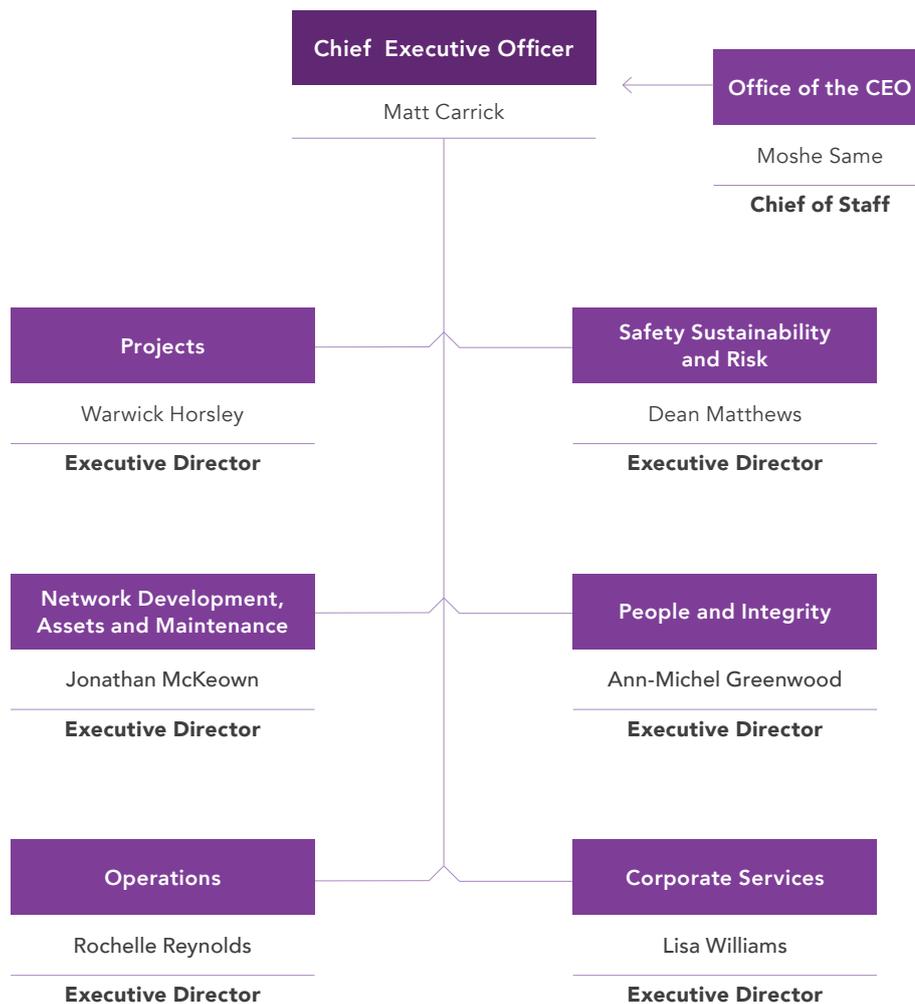
# Governance and organisational structure



# Organisation structure and corporate governance arrangements

In May 2022, V/Line implemented its new group structure with the formal commencement of a new Executive Leadership Team.

Leadership team as at 30 June 2022



## Leadership groups

### **Network Development, Assets**

**& Maintenance:** long-term planning and network development, development and implementation of the master timetable, lifecycle management of V/Line’s fleet and network assets for the provision and management of a safe, efficient railway and rail freight network access.

**Corporate Services:** finance and accounting, corporate strategy and planning, governance committee secretariat, legal counsel, commercial and contract management and reporting, enterprise project management office, information governance, information technology, procurement services, insurance, payroll and the transformation project/governance reform team.

**People & Integrity:** enshrining V/Line’s commitment to integrity this team includes culture change and leadership, learning and capability including providing accredited training, workplace relations and recruitment.

**Operations:** consists of network and train control, short-term operational planning, train services (train drivers), conductors, customer station operations, passenger experience and feedback, scheduled and unscheduled coach services, security, revenue protection, crisis lead, incident and emergency management and business continuity planning.

**Projects:** program and project management for both infrastructure and rolling stock projects, construction and commissioning of works as required for State Projects.

**Safety, Sustainability & Risk:** health, safety and environment including rail safety accreditation, integrated safety management system, occupational health and safety, environmental sustainability and management, enterprise risk assurance and audit.

**Office of the CEO:** responsible for corporate affairs, including ministerial liaison, media enquiries, internal and inter-agency communications and stakeholder management.

## Advisory Board membership and roles

The V/Line Advisory Board (the Advisory Board) was established by the Minister as an advisory body to the Chief Executive Officer of V/Line.

The main responsibilities of the Advisory Board are to ensure V/Line:

- is aligned to the government’s transport agenda and priorities
- delivers sustained and improved performance of passenger services and a rail freight network
- maintains a heightened focus on safety, risk management, and fraud and integrity.

As at 30 June 2022, the Advisory Board comprised the following independent members:

- Howard Ronaldson, Chair
- Karen Cain
- Margaret O’Rourke
- Tom Sargent.

## Audit and Risk Committee membership and roles

The V/Line Audit and Risk Committee (the Committee) was established by the Chief Executive Officer, in compliance with the Standing Directions 2018 under the Financial Management Act 1994, as an independent body to provide oversight of V/Line’s financial and performance reporting, risk oversight and management, systems of internal controls and compliance with relevant laws and policies.

The purpose of the Committee is to be an independent body to:

- review and assess the effectiveness of V/Line’s systems and controls for financial management, performance and sustainability, including risk management
- oversee financial reporting and performance reporting
- oversee the internal and external audit activities
- review and monitor compliance with legal and regulatory obligations, in particular with the Financial Management Act
- oversee and monitor V/Line’s risk management systems and framework
- oversee and monitor systems of internal control
- oversee and monitor V/Line’s application of the Asset Management Accountability Framework (AMAF).

The Committee supports V/Line’s Accountable Officer to discharge their responsibilities under the Financial Management Act 1994, Transport Integration Act 2010 and Public Administration Act 2004.

The Committee provides a mechanism to escalate issues and provide independent advice to the Accountable Officer to ensure responsibilities are fulfilled.

As at 30 June 2022, the Committee comprised the following independent members:

- Mark Toohey, Chair
- Rachel Thomson
- Sharon Copeland-Smith.

### Other Reporting

During 2021-22, V/Line insured all Advisory Board, Committee members and officers of V/Line against certain liabilities incurred by them in that capacity. Advisory Board and Committee members of V/Line are entitled to full access to information required to discharge their responsibilities, including access to senior management and to documents held by V/Line. Advisory Board and Committee members could obtain independent professional advice on matters arising from carrying out their duties.

# Health and Safety

V/Line's number one priority is the safety of our staff, passengers, communities and the environment.

## COVID-19

During 2021-22, managing and responding to COVID-19, while ensuring safe operation of full V/Line services, was our key area of focus.

The Safety, Sustainability and Risk group continued to lead V/Line's overall management and response to COVID-19, working with the Department of Health, DoT and other operators to ensure a consistent and agile response to public transport across Victoria.

Internally, the group was also responsible for providing health and safety advice, completing risk assessments, developing critical processes, procedures and management plans, and coordinating essential worker permits ensuring staff were fully informed and supported as the situation and restrictions evolved.

During 2020-21, V/Line minimised disruption to services through the introduction of a dedicated COVID-19 Response team, providing focused efforts in maintaining a safe environment for staff and passengers, while ensuring continuity of public transport services.

The team was responsible for the operationalisation of Chief Health Officer Directions and Pandemic Orders, consultation and engagement within the organisation, case tracing and assessments to mitigate internal operational impacts, enabling a focused response without compromise to existing roles and responsibilities.

In September 2021, V/Line launched a COVID-19 Reporting app, Case Tracing Report and Pandemic Snapshot dashboard to improve reporting of positive, probable, close contact, household contact, exposed persons, or unwell/symptomatic cases. The initiative provided a consistent format and process allowing for prompt advice of isolation and testing requirements, particularly as isolation and testing provisions changed.

In October 2021, V/Line introduced COVID Assurance Officers to provide independent monitoring of organisational compliance with V/Line's COVIDSafe Plan.

RAT surveillance testing programs were launched in October 2021, to identify potential positive cases before entering the workplace and prevent workplace transmission. This was followed by implementation of a RAT Inventory app in December 2021, to enable accurate and consistent data collection, trend analysis, internal and external reporting, and inventory control. These initiatives significantly reduced the likelihood of workplace transmission and COVID-19-related absenteeism.

## Safety

V/Line continued to work collaboratively with safety regulators, including the Office of the National Rail Safety Regulator (ONRSR), the Australian Transport Safety Bureau (ATSB) and WorkSafe, ensuring obligations were met and issues resolved within agreed timeframes. V/Line assisted with investigations, reports, inspections and audits as required.

V/Line has once again achieved a reduction in its Serious Injury Frequency Rate (SIFR), reflecting an ongoing focus on managing high-risk activities. V/Line recorded 14.82 in 2021-22 against a forecast of 20. This compares with 16.20 for the previous period, representing a reduction of 8.2 per cent in the SIFR across the past five years.

In 2021-22, V/Line established a Network Maintenance Safety team, providing greater consistency in the monitoring of safeworking activities across the V/Line network. The transition allows for better support and training of staff, ensuring they have the requisite capabilities and competencies for managing track access across the network.

In March 2022, V/Line further enhanced its safeworking monitoring activities by establishing a dedicated CBD Safeworking team. With a 24/7 focus on the Melbourne CBD 'work on track' requirements, this team provides central maintenance teams with exclusive access to specialist support, leading to improved safety and productivity.

In early 2022, V/Line commenced a trial of a Centralised Control Centre for the management of state-wide track closures on the V/Line network. The trial, which will continue into the second half of 2022, is helping to streamline rostering, reduce costs and provide a more agile response to track access requests.

In July 2021, V/Line introduced a Rail Safety Worksite Hazard Assessment planning tool for Track Force Protection Coordinators. This document assists Track Force Protection Coordinators in assessing the most effective method of worksite safety protection to be employed on site. This new process aligns to international better practice and the equivalent Rail Industry Safety and Standards Board national standard and is designed to encourage Track Force Protection Co-ordinators to complete robust assessment of localised hazards before work commences.

Level crossing safety remains a key priority for V/Line requiring regular monitoring and investment. There are currently 76 passive level crossings (i.e. 'stop' or 'give way' signs only, with no bells or boom barriers) on the V/Line passenger network. This has reduced from 105 over the past five years, with planning and preparatory work completed to upgrade an additional 24 on the Shepparton line in late 2022.

In addition to activating crossings, V/Line also invested in other upgrades and maintenance works to deliver safety improvements. These works included installation of axle counters in locations subject to train detection faults, and the ongoing removal of vegetation to improve sighting distances for trains and road vehicles. Measures such as temporary speed restrictions were also applied, as required, at specific locations.

The Lydiard Street level crossing in Ballarat was reopened to traffic in November 2021 following final works on stage one of the project to install half boom barriers and an upgraded signalling system. The crossing was closed to traffic following an incident in May 2020 when a V/Line passenger train collided with the level crossing's interlocking, replica heritage gates and passed through the crossing against signal.

Protective traffic management barriers were in place following the incident, allowing train services to continue while maintaining community safety. V/Line worked closely with relevant safety regulators and DoT to investigate the incident and developed a detailed design to enable its safe reopening.

Overall SPAD (Signals Passed at Danger) incidents have increased over the past financial year, the main driver for this has been an increase in the low risk (fail safe) technical SPADs. These technical SPADs occur due to events such as supply power surges where signals revert to stop in front of the train.

The number of human factor SPADs however continues to remain low. A human factor SPAD is an incident in which a driver has failed to react in time to a correctly displayed stop signal due to reasons such as assumption or misjudgement. In 2021-22, V/Line recorded a human factor SPAD rate of 1.43 incidents per million kilometres, down from 1.81 incidents per million kilometres in the previous year.

This rate places V/Line among the top performing passenger operators railways in Australasia. The incidents recorded were predominantly of low consequence potential, with trains passing signals by short distances with no obstructions ahead. A SPAD Committee met regularly during the year to review each incident and identify lessons and additional controls that could be implemented to prevent a recurrence.

## HSE Indicator Performance

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

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

<b>Serious Injury Frequency Rate (SIFR)</b>	2021-22	2020-21	2019-20
Measure	Actual	Actual	Actual
SIFR	14.82	16.2	26.65
SIFR Forecast	20	21	21
SIFR Variance	-5.18	-4.8	5.65
SIFR per cent Variance to Forecast	-25.90	-22.86	+26.9

<b>Signals Passed at Danger (SPAD) (Human Factors + Technical)</b>	2021-22	2020-21	2019-20
Measure	Actual	Actual	Actual
SPAD	3.43	2.99	3.18
SPAD Forecast	2.5	2.8	2.8
SPAD Variance	0.93	0.19	.38
SPAD per cent Variance to Forecast	+37.2	+6.79	+13.5

## Hazards and Incidents per 100 FTE

The total number of 'Hazards Reported' decreased over the year, which can be partly attributable to COVID-19 (i.e. due to a percentage of hazards directly related to passenger numbers). Logged hazards are tracked and reported monthly to all relevant stakeholders, including employee elected health and safety representatives, to ensure all potential hazards are addressed.

The total number of WorkCover standard claims lodged in 2021-22 together with the associated average cost per claim has decreased.

Psychological injuries make up 43 per cent of the standard claims together with physical injuries to the back of five per cent, knees seven per cent and shoulders six per cent being the main drivers of higher claim costs.

There were three psychological capped claims which contributed to the average cost per claim.

### Hazards Reported

Year	Per 100 FTE
2021-22	9.54
2020-21	10.58
2019-20	11.43

### Incidents Reported

Year	Per 100 FTE
2021-22*	411
2020-21*	367
2019-20*	355

\* Incident numbers have been affected due to COVID-19.

### WorkCover – Personal Injury Lost Time Claims

	# time loss standard claims	Full-time equivalent (FTE)	Per 100 staff	Average cost per claim
2021-22	63	2,421.1	2.60	\$47,690
2020-21	68	2,277.3	2.98	\$89,216
2019-20	53	2195.3	2.41	\$40,063

## Section 3

# Workforce data



# Our People

V/Line employed a workforce of 2,491 compared with 2,338 in 2020-21 and 2,253 in 2019-20.

## Public sector values and employment and conduct principles

The Victorian Public Sector Commission (VPSC) was established in 2014 to maintain and advocate for professionalism and integrity within the public sector, and strengthen public sector efficiency, effectiveness and capability to meet existing and emerging needs and deliver high quality services.

V/Line's policies and practices are consistent with the VPSC's employment standards and provide for fair treatment for its people, opportunities for learning and growth and early resolution of workplace issues. V/Line appoints staff on the principles of merit and equity, ensuring applicants are assessed and evaluated fairly and without discrimination on the technical capabilities, role accountabilities and experience required for the role. V/Line advises its employees on how to avoid conflicts of interest, how to respond to offers of gifts and benefits and how it manages misconduct.

## Integrity

At V/Line, integrity is a shared responsibility and a key value and priority for the organisation in promoting a culture of honesty, transparency and trust among our people.

During the year, additional resources were added to our Integrity team who, in addition to their day-to-day support and advice for staff, has focused on reviewing and strengthening V/Line's integrity-related policies and procedures.

## Recruit and retain the right people

In 2021-22, V/Line placed 555 roles, including six driver groups (three trainee class groups and three conversion class groups) and 103 conductors.

V/Line also recruited its first trainee train drivers since 2017 from a candidate pool of more than 8,850 applications. We also commenced the first recruitment process for part-time roles in the Customer team to increase rostering flexibility.

A decision to transition IT support in-house has led to significant recruitment activity within our technology space. Demand for workers to deliver on critical projects for V/Line has continued to be high along with our requirements for skilled and qualified engineering resources to deliver on V/Line's maintenance programs.

## Develop and engage our people

Amid COVID-19 in 2021-22, V/Line continued to deliver learning and training through a combination of remote and on-site opportunities.

V/Line successfully completed its re-registration audit as a Registered Training Organisation (RTO) with the Victorian Registration and Qualifications Authority in November 2021. Recognition as an RTO ensures V/Line can continue to deliver best-in-industry, nationally recognised learning for frontline employees, ensuring quality long-term outcomes for its people as students and employees.

In 2021-22, V/Line employees undertook the following qualifications:

- Certificate IV Train Driving (Driver): 26
- Certificate III Rail Customer Service (Conductor): 48
- Certificate II Rail Infrastructure (Way Maintainer): seven
- Track Inspector: six
- Certificate III Rail Infrastructure: three
- Rail adjustment skill set: three
- Safeworking: 40.

V/Line will award Certificate IV Electrical Rail Signaling qualifications to 30 Signal Maintenance Trainees and 11 Signal Maintenance Apprentices across the remainder of 2022. This is the culmination of a three-year program.

In 2021-22, V/Line initiated enrollments in the following qualifications:

- Certificate IV Train Driving (Driver): 71
- Certificate III Rail Customer Service (Conductor): 67
- Certificate II Rail Infrastructure (Way Maintainer): eight
- Track Inspector: 10
- Certificate III Rail Infrastructure: 10
- Certificate IV Electrical Rail signaling: 41
- Diploma in Railway Signaling Systems: 22.

In March 2022, V/Line launched a 'How we work' online learning module to provide clarity and support for employees on the Code of Conduct. 92.42 per cent of employees have completed this module since its launch and the team is working to further increase participation.

LinkedIn Learning has continued to provide supplementary learning opportunities for V/Line, as part of a continued focus on providing contemporary learning opportunities. V/Line staff have undertaken courses in areas from improving productivity and interpersonal skills to Microsoft Excel and information security. A total of 354 employees completed 1,540 LinkedIn Learning courses over 1,576 hours in 2021-22.

## Diversity and Inclusion

At V/Line, we know that a diverse and inclusive workforce generates tangible benefits, such as increased efficiency, productivity, innovation, creativity and improved employee engagement.

V/Line has a richly diverse workforce, comprising employees from more than 63 cultures, and we are committed to fostering an inclusive workplace that reflects the diversity of the communities it serves.

In understanding and addressing the unique and varied challenges experienced by diverse communities, and in seeking to harness the benefits of a diverse and inclusive workforce, V/Line continued to focus on six priority areas during 2021-22. This includes Aboriginal and Torres Strait Islander people, gender, culturally and linguistically diverse people, generational, lesbian, gay, bisexual, transgender, intersex, queer+ (LGBTIQ+) and people with lived experience of disability. Each focus area is supported with an individual action plan underpinned by V/Line's Diversity and Inclusion Framework.

V/Line's Culture Council brings together passionate diversity and inclusion volunteers from across the organisation and continues to play an important role in celebrating and driving awareness and education about each priority area. Amid COVID-19, the council delivered key events, campaigns and initiatives in a virtual environment, which proved to be an overwhelming success by expanding reach in regional areas.

Key calendar events on the diversity calendar during 2021-22 included International Day of People with Disability, International Women's Day, National Reconciliation Week, Hearing Awareness Week, International Day Against Homophobia, Biphobia, Intersexism and Transphobia (IDAHOBIT) Day, Midsumma Pride March and Wear it Purple Day.

The V/Line Aboriginal and Torres Strait Islander Action Plan 2020–2023 continues to focus on engagement, employment, cultural safety and procurement, ensuring a genuine commitment towards reconciliation and self-determination.

V/Line remains committed to improving its approach to social performance by engaging respectfully and meaningfully with Indigenous community groups, owner groups and organisations across Victoria. A full-time Cultural Specialist – Aboriginal Australians commenced in July 2021 to lead this work, which included a truth telling session in Gippsland, establishment of the V/Line Aboriginal Advisory Group and the introduction of cultural and ceremonial leave for Aboriginal and Torres Strait Islander employees. Other V/Line priorities for building an environment that is safe and inclusive for all, include investing in Aboriginal and Torres Strait Islander businesses, introducing specific, culturally informed and safe policies and procedures, as well as delivering Aboriginal Cultural Awareness Training.

V/Line embraces its role in championing gender equality, both within the workplace and the communities we serve. In 2021-22, the proportion of women in V/Line's workforce increased to 26.2 per cent, with 41.2 per cent of women in leadership positions.

The Gender Equality Action Plan 2021-2025 was developed and informed by a workplace gender audit conducted in December 2021, results from a 'People Matter' staff survey and a series of meaningful consultative workshops with employees, employee representatives, trade unions and other relevant persons. This process explored themes around gender equality, inclusion and intersectionality. In demonstrating commitment to the implementation of this plan, V/Line has now employed a full-time Change Manager – Gender Equality.

V/Line also has a Gender Equality Working Group, whose purpose is to raise awareness of the importance of gender equality and celebrate the achievements of women at V/Line. In 2021-22, the group facilitated three V/Line Women's Forums – live, virtual events designed to create meaningful connections in an interactive way and help women flourish through topics and conversations.

V/Line continues to support and promote the Women in Transport and Australasian Rail Association networking programs which offer networking, mentoring and education opportunities to improve connections and contribute to a culture of positive learning and working relationships, to support the capability of women in transport now and in the future.

The V/Line LGBTIQ+ Working Group actively represented V/Line at community events during the 2022 Pride season, including the carnival day and street parade at the Daylesford Chillout festival. V/Line also hosted the Victorian Commissioner for LGBTIQ+ Communities aboard the V/Line PRIDE train, and transported leaders of Victorian LGBTIQ+ organisations to the 'Racism in the LGBTIQ+ Community' panel discussion as part of the Bendigo PRIDE festival.

V/Line continued to roll out its Diversity and Inclusion Training program to all new staff across the organisation in 2021-22, with almost 2,000 courses completed during the period. This training program is designed to deepen understandings of inclusion and diversity dimensions, including gender, age, people with lived experience of disability, LGBTIQ+, Aboriginal and Torres Strait Islanders and cultural diversity.

### **Positive mental health**

During 2021-22, the mental health and wellbeing of our people has remained a key priority. V/Line continued to develop and deliver mental health and wellbeing sessions and resources in line with external factors, including COVID-19 and returning to the office. Topics of these sessions included isolation and stress, as well as content tailored to suit specific requests from V/Line teams. In 2021-22, 200 sessions were undertaken by employees.

V/Line continued to support and promote Mental Health Champions across the organisation, with additional champions joining the network during the year to bring the total number to 60.

A total of 175 V/Line employees underwent mental health first aid training throughout the year.

V/Line also expanded the scope of its Employee Assistance Provider support availability to employees and their families, increasing the number of free sessions from four per year to four per presenting concern. In addition to mental health support, employees and their families can also now access holistic services, including legal advice and financial coaching.

V/Line continued to support mental health awareness events across the year, including men's and women's health weeks. For Mental Health Month in October 2021, V/Line welcomed a guest speaker from Beyond Blue and held awareness sessions focusing on specific topics each week.

For Rail R U OK? Day on 28 April 2022, V/Line partnered with MTM, Yarra Trams, TrackSAFE and DoT to host a virtual event, featuring TrackSAFE's Rail Safety Ambassador, Paralympic gold medalist and world record holder Vanessa Low. As a rail accident survivor and professional athlete, Vanessa has overcome enormous adversity in her life and shared her tips for increasing mental fitness and the importance of checking in, both with yourself and others.

The People team is continuing to support the business with resilience-building and coping strategies for frontline employees, including Coping with Trauma and Providing Support after Trauma training for supervisors and first responders. In line with the legislative requirements of the *Occupational Health and Safety (OHS) Act 2004* (Victoria), V/Line also launched a new Critical Incident and Trauma Management Framework Guide to provide additional support for employees following traumatic incidents in the workplace. This framework recognises the duty of care on all persons, so far as is reasonably practicable, to identify and address all foreseeable hazards including psychological health hazards.

V/Line's Resilience and Mental Wellbeing Committee oversaw the development of the framework and a new Mental Health and Wellbeing Policy, which aims to establish, promote and maintain the mental health and wellbeing of all staff through workplace practices, structures and processes, as well as supporting staff to take responsibility for their own mental health and wellbeing.

### **Culture and leadership**

In line with the Effective Leadership Framework, V/Line is investing in the development of its leaders through a range of programs and initiatives designed to embed the knowledge, skills and behaviours required to be a successful leader.

More than 250 leaders from across the organisation participated in a series of interactive and hands-on Leading Culture workshops, which were designed to improve understanding of culture and engagement, why it matters and how to create a culture that gets the best out of people.

To support professional development and further enhance leadership skills and capabilities, 50 leaders from across V/Line were offered access to specialised learning courses through the Australian Institute of Management in a highly successful 12-month pilot program.

New leaders were also supported through their transition to leadership through the 12-month V/Lead immersion program. These in-person and online workshops provided information, tools, resources, learning and support for managing people and processes the V/Line way, to help develop knowledge and leadership capabilities, and improve understanding of what it is to be a leader at V/Line.

### Staff recognition

This year, following a break due to COVID-19, V/Line also resumed its celebrations of Service Recognition, recognising staff who reached service milestones during 2020, 2021 and 2022. A total of 261 staff were recognised during the year for 10, 20, 30, 40, 50 and 60 years of service:

	10 years	20 years	30 years	40 years	50 years	60 years
<b>2022</b>	46	14	2	35	1	1
<b>2021</b>	42	13	1	12	–	–
<b>2020</b>	57	11	4	21	1	–

### Industrial relations

V/Line continued to engage and collaborate with its workforce and relevant unions, in relation to industrial matters in 2021-22. During the year, there were nil hours lost to industrial action and disputation, and minimal time spent in proceedings before the Fair Work Commission.

A constructive approach to addressing workplace issues remains at the forefront of V/Line's industrial relations agenda, with a focus on maximising the benefits of increasing investment in the regional rail network.

## Comparative workforce data

The following tables disclose the head count and full-time staff equivalent (FTE) of all active employees of V/Line, employed in the last full pay period in June 2022, and in the last full pay period in June 2021.

### June 2022

	All employees		Ongoing			Fixed Term and Casual	
	Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE

#### Gender

Men	1,839	1,796.4	1,661	95	1,715.1	83	81.3
Women	652	624.7	522	72	568	58	56.7

#### Age

15-24	56	52.8	43	8	47.8	5	5
25-34	499	492.4	460	15	468.9	24	23.5
35-44	697	685.7	621	32	642	44	43.7
45-54	576	564.8	507	27	524.1	42	40.7
55-64	547	519.3	460	64	496.6	23	22.7
65+	116	106.1	92	21	103.7	3	2.4

#### Classification\*

Executive	70	69.7	0	0	0	70	69.7
Clerks & Senior Officers	482	472.9	426	29	445.9	27	27
Station Staff	313	295.1	262	45	289.7	6	5.4
Authorised Officers	20	19.7	19	1	19.7	0	0
Fuel Point Assistants	6	5.4	4	2	5.4	0	0
Conductors	311	294.9	274	34	293.4	3	1.5
Train Controllers & Signallers	80	79	78	2	79	0	0
Drivers	552	530.6	506	46	530.6	0	0
Passenger Operations	59	58.5	58	1	58.5	0	0
Infrastructure Maintenance Workers (Sig & Elec)	95	95	94	0	94	1	1
Infrastructure Maintenance Workers (Track)	198	198	198	0	198	0	0
Apprentices	12	12	12	0	12	0	0
Administrative Band	15	14.7	14	0	14	1	0.7
Other Staff	278	275.6	238	7	242.9	33	32.7
<b>Total employees</b>	<b>2,491</b>	<b>2,421.1</b>	<b>2,183</b>	<b>167</b>	<b>2,283.1</b>	<b>141</b>	<b>138</b>

\* Reporting mechanism change; classification descriptions related to workforce data have been modified from FY2020-21 to align with the Model Report issued by the Department of Treasury and Finance.

# June 2021

All employees		Ongoing			Fixed Term and Casual	
Number (Headcount)	FTE	Full-time (Headcount)	Part-time (Headcount)	FTE	Number (Headcount)	FTE

## Gender

Men	1,783	1,743.0	1590	91	1,642.5	102	100.5
Women	555	534.6	448	61	489.5	46	45.1

## Age

15-24	30	28.8	24	4	26.8	2	2
25-34	449	445.5	415	11	422.5	23	23
35-44	639	628.2	553	32	575.4	54	53.1
45-54	541	533.2	478	23	493.5	40	39.7
55-64	559	533.7	475	57	507.3	27	26.4
65+	120	107.9	93	25	106.5	2	1.4

## Classification

Executive	12	12	0	0	0	12	12
Station Staff	286	275.7	254	30	274	2	1.7
Conductors	310	300.2	283	26	299.2	1	1
Train Drivers	508	485.4	460	48	485.4	0	0
Authorised Officers	20	19.7	19	1	19.7	0	0
Program & Delivery	166	164.8	124	4	126.8	38	38
Infrastructure Maintenance	192	191.7	185	1	185.7	6	6
Signal & COMM's	112	111.7	110	0	110	2	1.7
Train Controllers	65	64	63	2	64	0	0
Network Services	57	55.4	44	4	46.4	9	9
Other Staff	610	597	496	36	520.8	78	76.2
<b>Total employees</b>	<b>2,338</b>	<b>2,277.6</b>	<b>2,038</b>	<b>152</b>	<b>2,132</b>	<b>148</b>	<b>145.6</b>

## Workforce inclusion policy

V/Line is working towards creating an inclusive working environment where equal opportunity and diversity are valued, and that reflects the communities we serve consistent with the *Gender Equality Act 2020*. V/Line has a target of at least 50 per cent women on the executives' gender profile by 2022.

V/Line values staff with non-binary gender identities. V/Line acknowledges that due to historic and current barriers to disclosure of non-binary gender identities, staff may choose not to disclose this information. As a result, targets or quotas are not currently a useful way to promote opportunities for gender diverse staff at all levels.

The following tables outlines V/Line's actual progress against this target in 2021-22.

<b>Workforce inclusion policy initiative</b>	<b>Target</b>	<b>Actual progress in 2021-22</b>	<b>Actual progress in 2020-21</b>
	Executive:	Executive:	Executive:
Gender profile at executive levels <sup>(a)</sup>	50 per cent women 50 per cent men	30 per cent women 70 per cent men	28.57 per cent woman 71.43 per cent men

(a) The self-described category is nil for this entity.

## Executive data

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

## 2022

Total number of Executives for V/Line, broken down into gender	All		Women		Men		Self-described*	
	No.	Var.†	No.	Var.†	No.	Var.†	No.	Var.
Senior Executive Service – 3	2	–	0	–	2	–	0	0
Senior Executive Service – 2	14	–	7	–	7	–	0	0
Senior Executive Service – 1	54	–	14	–	40	–	0	0

\* The self-described category is nil for this entity.

† Baseline data and reporting mechanism has changed from FY2020-21 to reflect Senior Executive Service (SES) employees and align with the Model Report issued by the Department of Treasury and Finance.

## 2021

Total number of EOs for V/Line, broken down into gender	All		Women		Men		Self-described*	
	No.	Var.	No.	Var.	No.	Var.	No.	Var.
Executive Leadership Team	12	0	4	+2	8	-1	0	0
Senior Leadership Team	33	-4	12	-2	21	-3	0	0
Broader Leadership Team	32	+5	6	+2	26	+3	0	0

\* The self-described category is nil for this entity.

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

**Annualised total salary, by \$20,000 bands, for executives and other senior non-executive staff**

**2022**

<b>Income band</b> (Total Remuneration Package)	<b>Executive</b>	<b>Individual Employment Contracts (IECs)</b>
<\$160,000	0	145(b)
\$160,000 – \$179,999	3	68(c)
\$180,000 – \$199,999	12	48(d)
\$200,000 – \$219,999	21	14(e)
\$220,000 – \$239,999	7	2
\$240,000 – \$259,999	11(a)	1
\$260,000 – \$279,999	4	0
\$280,000 – \$299,999	4	0
\$300,000 – \$319,999	2	0
\$320,000 – \$339,999	0	0
\$340,000 – \$359,999	3	0
\$360,000 – \$379,999	1	0
\$380,000 – \$399,999	0	0
\$400,000 – \$419,999	0	0
\$420,000 – \$439,999	1	0
\$440,000 – \$459,999	0	0
\$460,000 – \$479,999	0	0
\$480,000 – \$499,999	0	0
>\$500,000	1	0
<b>Total</b>	<b>70</b>	<b>278</b>

**Notes**

The salaries reported above are for the full financial year, at a 1-FTE rate, and includes superannuation.

(a) 1 Headcount at 0.7 FTE

(b) 2 Headcount at 0.7 FTE

(c) 4 Headcount at 0.7 FTE

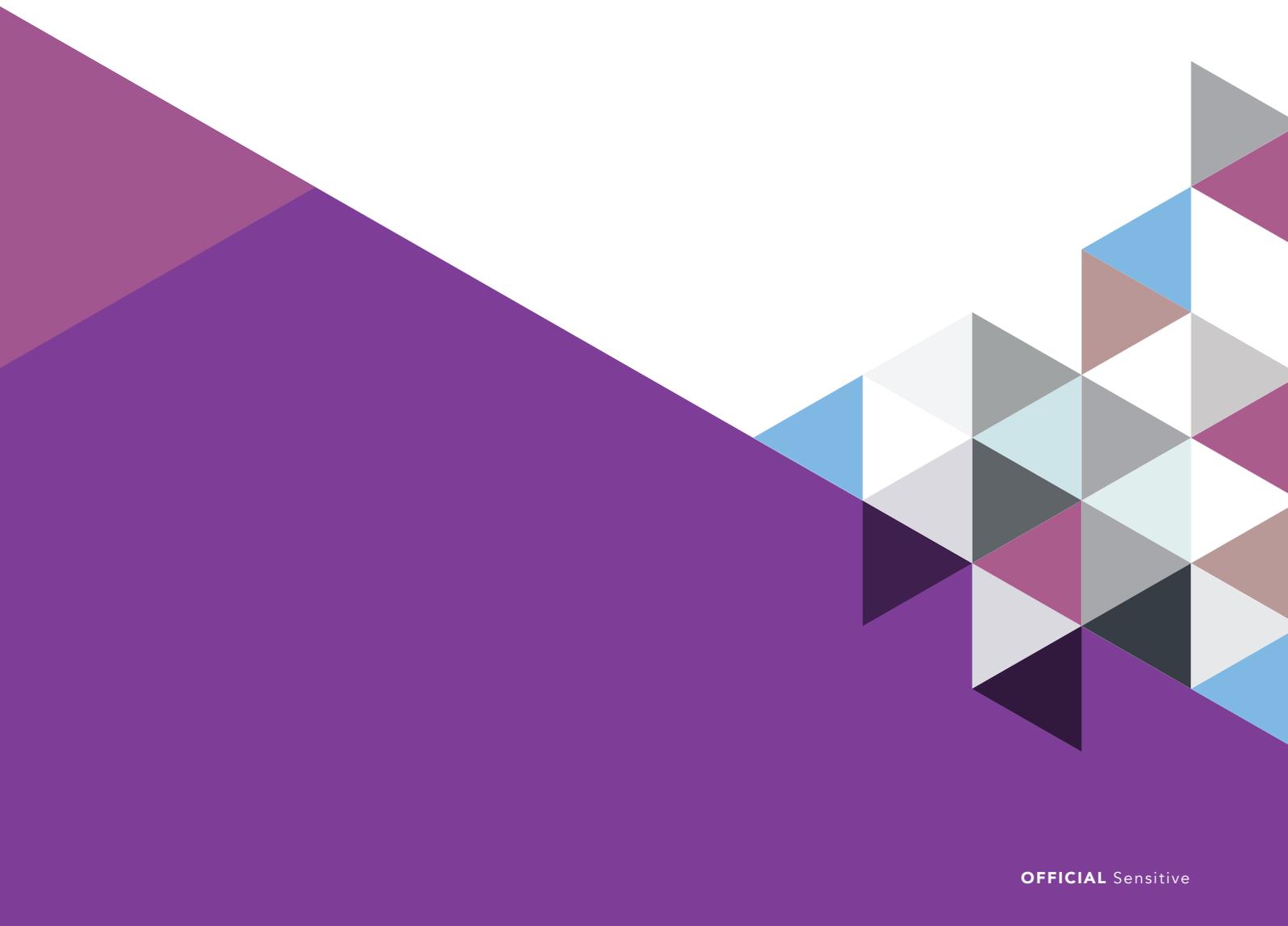
(d) 1 Headcount at 0.7 FTE

(e) 1 Headcount at 0.7 FTE



# Section 4

# Other disclosures



## Local Jobs First

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

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG-applicable and VIPP commenced projects respectively where contracts have been entered prior to 15 August 2018.

### Projects commenced – Local Jobs First Standard

During 2021-22, V/Line commenced four Local Jobs First Standard Projects valued at \$15,810,000. Of these projects, the metropolitan Melbourne projects deliver an average of 97 per cent local content and the state-wide projects deliver 86.9 per cent local content. The MPSG was not applied to the four Local Jobs First Standard Projects reported as none had a value in excess of \$20 million.

The expected outcomes from the implementation of the Local Jobs First Policy to these engagements, where information was provided, are as follows:

- an average local content commitment of 91.99% per cent
- a total of 29.98 jobs Annualised Employee Equivalent (AEE\*) to be supported, including the 10.15 new jobs and the retention of 19.82 existing jobs
- a total of 1.06 new and the retention of 0.30 apprentice, trainee and cadet positions.

### Projects completed – Local Jobs First Standard

During 2021-22, V/Line did not complete any Local Jobs First Standard Projects.

### Projects commence or complete – Local Jobs First Strategic

During 2021-22, V/Line did not commence or complete any Local Jobs First Strategic Projects.

### Reporting requirements – all projects

During 2021-22, no business prepared a VIPP/MPSG Plan for contracts.

### Reporting requirements for – Grants

No grants that satisfy the requirements were issued by V/Line.

## Government advertising expenditure

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

## Consultancy expenditure

### Details of consultancies valued at \$10,000 or greater

In 2021-22, there were 35 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred in 2021-22 in relation to these consultancies was \$7,819,000 (excluding GST).

Details of individual consultancies can be viewed at [corporate.vline.com.au/About-V-Line/Publications](http://corporate.vline.com.au/About-V-Line/Publications).

### Details of consultancies under \$10,000

In 2021-22, there were 11 consultancies engaged during the year where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred in 2021-22 in relation to these consultancies was \$58,394 (excluding GST).

\* AEE is calculated by dividing the total number of ordinary working hours that an employee worked and was paid for over the reporting period, by the total number of work hours per annum.

## Information and Communication Technology Expenditure

For the 2021-22 reporting period, V/Line had a total ICT expenditure of \$27.8 million, with the details shown below.

All operational ICT expenditure Business As Usual (BAU) ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
	Non-Business as Usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and capital expenditure)		
\$'000	\$'000	\$'000	\$'000
27,265	539	–	539

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

## Social Procurement Framework

In December 2021, V/Line updated its Policies and Procedures, including Social and Sustainable Procurement and aligned the Policy with the Buying for Victoria Social Procurement Framework.

The Victorian Social Procurement Framework enables government buyers and suppliers to deliver social, economic and environmental outcomes that benefit the Victorian community, economy and environment. Its objectives include:

- opportunities for Victorian Aboriginal people
- opportunities for Victorians with lived experience of disability
- women's equality and safety
- opportunities for disadvantaged Victorians
- supporting safe and fair workplaces
- sustainable Victorian social enterprise and Aboriginal business sectors
- sustainable Victorian regions.

V/Line's activities in relation to the Social Procurement Framework and support of social procurement are focused on the economic support that V/Line can provide to Victorian organisations through our procurement requirements, with consideration given to small and medium sized businesses at both a metropolitan and regional level in all procurement activities.

Recent examples of social procurement inclusion include working with V/Line's current uniform supplier and an indigenous artist to procure 100 hi-vis shirts with indigenous artwork on the sleeves and collar to create cultural awareness across the business. V/Line has also used 22 percent of its total white copy paper from an indigenous owned company through V/Line's current stationery supplier.

Other key achievements include:

- 19 social benefit supplier engagements
- eight engagements with Victorian Aboriginal businesses.

V/Line is actively working with our staff and communities across key focus areas of social procurement. The Procurement team is represented on several committees, including DoT Aboriginal Procurement Working Group, Women in Transport (WiT) Working Group – Gender Ethical Procurement, Aboriginal and Torres Strait Islander Diversity Council, and V/Line Aboriginal Advisory Group. These committees include representatives from DoT which ensures V/Line’s alignment to the Victorian Social Procurement Framework.

## Freedom of information

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

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

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

From 1 September 2017, the Act was amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. However, when external consultation is required under ss29, 29A, 31, 31A, 33, 34 or 35 the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant’s agreement this may occur any number of times. However, obtaining an applicant’s agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

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

### Making a request

FOI requests can be lodged online at [www.foi.vic.gov.au](http://www.foi.vic.gov.au). An application fee of \$30.60 applies (effective 1 July 2022). Access charges may also be payable if the document pool is large, and the search for material, time consuming.

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

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

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

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

### **FOI statistics/timeliness**

During 2021-22, V/Line received 15 applications. Of these requests, two were from a Member of Parliament, one from the media and the remainder from the general public. V/Line made 10 FOI decisions during the 12 months ended 30 June 2022.

Eight decisions were made within the statutory 30-day time period, one decision within an

extended statutory 30-45 day time period and one decision within an extended statutory 45+ day time period. Five applications are still being processed. Of access decisions made, three were made after mandatory extensions had been applied or agreed upon by the applicant.

The average time taken to finalise requests in 2021-22 was 25 days. Of requests finalised, the average number of days (over or under the average statutory time period to decide the request) was 25 days (over).

During 2021-22, two requests were subject to a complaint/internal review by the OVIC with one progressing to the Victorian Civil and Administrative Tribunal (VCAT).

### **Further information**

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

	<b>FY 2021-22</b>
Number of major works projects undertaken by V/Line (greater than \$50,000)	17
Number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned by the entity	8 building permits 8 occupancy/planning permits 8 certificates of occupancy
Number of emergency orders and building orders issued in relation to buildings	0 emergency orders 0 building orders
Number of buildings that have been brought into conformity with building standards during the reporting period	Nil All 94 buildings remain in conformity

## Competitive Neutrality Policy

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

V/Line ensures it fulfils its requirements on competitive neutrality reporting as required under the Competition Principles Agreement and Competition and Infrastructure Reform Agreement.

## Compliance with the *Public Interest Disclosures Act 2012*

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

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

V/Line is committed to the aims and objectives of the Act. V/Line has procedures in place to protect people from any detrimental action in reprisal for the making a public interest disclosure.

V/Line is not able to receive a public interest disclosure under the Act. Any disclosure about V/Line or any V/Line employee can be made directly to the Independent Broad-based Anti-corruption Commission as follows:

In person: *IBAC Victoria,  
Level 1, North Tower  
459 Collins Street,  
Melbourne VIC 3000*

By mail: *IBAC Victoria,  
GPO Box 24234,  
Melbourne, VIC 3001*

By phone: 1300 735 135

By email: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

## Compliance with the *Carers Recognition Act 2012*

The *Carers Recognition Act 2012* promotes the development of policies, programs and services that affect people in care relationships. V/Line has taken practical measures to consider the care relationship principles set out in the Act when setting policies and providing services. This includes making employees aware of the care relationship principles (which in turn relate to respect for the role of carers and their needs, and also respect for those being cared for) and taking reasonable measures to ensure that V/Line reflects the care relationship principles in developing, providing or evaluating support and assistance for persons in care relationships.

## Accessibility and Compliance with the *Disability Act 2006*

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

V/Line has complied with its obligations under the Disability Act to prepare an Accessibility Action Plan (AAP).

V/Line's AAP has four key objectives that are provided in a clear and concise manner, consistent and compliant with accessible communication guidelines.

The four objectives are:

1. We will make sure our passengers get good services.
2. We will find ways to make our services better for everyone.
3. We will look for ways to make our places and spaces accessible and inclusive.
4. We will make sure our workplace is inclusive for passengers and our staff.

In line with our AAP objectives, a number of initiatives were completed across 2021-22, including:

### Accessibility Improvements

- V/Line realised the benefit of significant investment on the Albury line with the introduction of new standard gauge VLocity units. The new trains provide improved accessibility and the ability to board and alight at Albury station which has not previously been possible for customers using mobility aids.
- V/Line's Accessibility team continued to work with internal and external project delivery agencies to provide more compliant, safe and accessible stations and facilities across the regional public transport network.

- Scope Australia completed thirty assessments of V/Line staff in line with our Communication Access Symbol Accreditation to ensure staff were able to provide a high level of customer service to our customers who experience communication difficulties.

### Workplace Inclusion

- V/Line updated its online recruitment page to help identify applicants and encourage people who have lived experience of disability to contact our team regarding any adjustments that they may need in the application process.
- V/Line maintained a Disability Inclusion Action Plan to increase the overall engagement, representation and meaningful employment of people with disability across every level of V/Line.

### Community Partnership

- V/Line successfully held its first online Accessibility forum, with a varied range of customers from all over the state invited to attend and provide vital feedback to V/Line as we prepared for the return of customers and changed travel expectations in the post-COVID-19 environment.
- V/Line continues to work with community and sector partners to deliver a number of engagement events, such as Scooter Safety sessions delivered by Travellers Aid Australia and the BusAble program delivered by coach operator CDC Victoria.
- The V/Line Accessibility Reference Group (ARG) saw a new term granted and three new members added to the Group, bringing the total participation to 10 members. The ARG continues to meet on a bi-monthly basis to discuss topics important to making V/Line a more accessible network for people with disability.

The ARG has provided invaluable feedback on a number of projects including:

- Traralgon line upgrades
- Geelong line upgrades (including the new Waurn Ponds Platform 2 and station building upgrades)
- priority seating designs
- website and app upgrades
- standard gauge VLocity trains
- Albury boarding ramp.

### Accessibility Advocacy

- V/Line holds an internal annual event for International Day of People with Disability to help spread awareness across the organisation. This year guest speaker Martin Stewart discussed his experience with public transport and why our staff play a critical role in the accessibility and safety of our customers' journeys.
- V/Line's Disability Working Group continued to meet on a monthly basis to review our accessibility objectives and determine further initiatives that continue to advocate, promote and increase awareness of accessibility across the business. The Disability Working Group also assisted in delivering a successful International Day of People with Disability event.
- The Accessibility team continued to deliver an Accessibility newsletter every quarter both to internal and external stakeholders to raise awareness of key accessibility issues and achievements.

V/Line reports on the implementation of its AAP initiatives in its Accessibility Annual Report to DoT.

## Sustainability and Environment

V/Line remains committed to reducing its environmental footprint, managing environmental risk and improving sustainability across its extensive rail network.

In 2021-22, V/Line introduced an Emissions Reduction Roadmap that articulates a path to achieving Net Zero Emissions by 2050, in alignment with the Victorian Climate Strategy, and sets interim emissions reduction targets. The roadmap includes emissions reduction targets based on an examination of all areas of V/Line's Scope 1 and Scope 2 emissions. The consumption of diesel fuel accounts for more than 85 per cent of V/Line's carbon emissions, and the plan articulates a progressive way to transition to lower and zero emissions technology.

In the commitment to reducing our environmental footprint, V/Line maintains an ISO 14001:2015 accredited Environmental Management System (EMS), which guides sustainability performance and reduces environmental impacts. As a component of this EMS, V/Line developed and delivered an ambitious Sustainability Action Plan for 2021-22. This included a five-year roadmap of objectives, targets and actions against five key environmental focus areas:

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

During 2021-22, V/Line continued its ballast recycling trial, identifying possible ways to clean and reuse ballast for other purposes on the network, including rail track formations, structural fill and roadbase, with a view to reducing waste to landfill.

V/Line continues to explore the use of composite sleepers containing recycled plastics and lower emission concrete sleepers containing recycled industrial materials. In consideration of safety requirements, V/Line is reviewing available sleeper innovation options to determine suitability for varying conditions and applications on the passenger and freight networks, sidings and stabling areas.

V/Line monitors and reports on consumption of energy, water and paper, and the output of waste and greenhouse gas emissions. COVID-19 continues to have a significant impact on these metrics as staff are still commonly working from home where practicable, and customer numbers continue to be unpredictable. The results for 2021-22 are detailed on the following pages.



### Building energy use

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

The data represented below was collected through energy retailer billing information and comprehensively reflects known V/Line sites.

<b>Building Energy Use</b>	2021-22	2020-21	2019-20
Energy Use segmented by primary source (MJ)			
Electricity	53,132,611	48,058,7211*	51,732,134
Energy Intensity (MJ/passenger kilometre)	0.0944	0.1007*	0.0490
Units of building energy used per FTE (MJ/FTE)	21,946	20,911	23,564

\* Results are based on the most current data available at the time of reporting (previous data is updated as a result).

<b>Building Greenhouse Gas (GHG)</b>	2021-22	2020-21	2019-20
Greenhouse Gas Emissions from energy consumption (tonnes CO <sub>2</sub> -e)			
Electricity	14,169	14,467	15,663
Emissions Intensity (tCO <sub>2</sub> -e/1000 pass km)	0.0252	0.0303	0.01484

### Actions undertaken

V/Line has released an Emissions Reduction Roadmap to assist in working towards the State Government target of Net Zero Emissions by 2050, including setting of interim targets, and has included these targets in internal and external reporting.

V/Line is investigating opportunities for emissions reduction in current and future rolling stock, including both engineering solutions and more sustainable fuel options.

### Targets

V/Line has set short and long-term emissions reduction targets associated with emissions reduction. High-level long-term targets are derived from the science-based targets developed in the Emissions Reduction Roadmap, and are:

<b>GHG Reduction Targets</b>	2025	2030	2035	2040	2045	2050
Per cent reduction from 2018-19 baseline of 138,000 tCO <sub>2</sub> -e	15%	35%	65%	90%	95%	100%

### Explanatory notes

Electricity data is sourced directly from the government energy contract suppliers.

V/Line purchases electricity as part of a government contract, which currently does not include Green Power, however this is expected to increase in alignment with the State Government Energy Sector Pledge.

## Waste and recycling

V/Line produces a variety of waste types, ranging from station and office waste to used sleepers, ballast, soil and train parts. This waste is collected primarily by V/Line's principal waste contractor, who provides data for all sites to V/Line.

This data includes only waste produced by V/Line staff and activities, as well as passenger waste deposited at stations. This data does not include project maintenance waste, including sleepers and spoil.

<b>Waste and Recycling</b>	2021-22	2020-21	2019-20
Waste disposed of by destination (kg)			
Landfill	560,214	491,770	497,662
Commingled recycling	24,278	11,310	13,025
Paper and cardboard	14,548	15,310	14,542
Other recovered materials	185,500*	29,480	28,920
<b>TOTAL</b>	784,540	<b>547,870</b>	<b>558,436</b>

### Waste disposed of per FTE by destination (kg/FTE)

Landfill	231.39	215.94	226.69
Commingled recycling	10.03	4.97	5.93
Paper and cardboard	6.01	6.72	6.62
Other recovered materials	76.62*	12.95	13.17
<b>TOTAL</b>	324.04	<b>240.58</b>	<b>252.43</b>

\* Significant amounts of steel were recycled in 2021-22.

### Actions undertaken

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

- movement towards a more agile work environment, reducing stationery consumption
- implementation of a four-waste stream system at head office
- roll out of waste minimisation activities and communications as required
- improved process for the management of used ballast and sleepers.

### Targets

V/Line's waste management targets for 2021-22 included a 10 per cent diversion of waste from landfill. V/Line managed to divert 40 per cent of staff and passenger waste from landfill, due to increased volumes of steel recovery.

### Explanatory notes

Waste data is broader than office waste and includes both waste produced by V/Line staff and activities as well as passenger waste.

## Paper Use

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

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

<b>Paper Consumption</b>	2021-22	2020-21	2019-20
Total units of A4 equivalent copy paper used (reams)	1,509	5,841	8,394
Reams of A4 equivalent copy paper used per FTE (reams/FTE)	0.62	2.56	3.82

### Actions undertaken

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

- V/Line has transitioned to a more paperlite program, where most papers are digitised, including the digitisation of key paper sources across the business
- paper purchased by V/Line offices is 100 per cent recycled where possible with coloured or paper with non-recycled content ordered as the exception
- a printer monitoring system is in place to allow more accurate consumption data management
- a swipe card system has been implemented which discourages unnecessary printing
- information regarding paper reduction is included in sustainability communications.

### Targets

With paper consumption continually decreasing, V/Line did not set specific targets for paper consumption in 2021-22, opting for targets associated with overall waste reduction and diversion from landfill.

### Explanatory notes

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

### Water consumption

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

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

Available water data has been used to extrapolate annual consumption for 2021-22.

<b>Water Consumption</b>	2021-22	2020-21	2019-20
Total water consumption (kL)	56,473	60,949	97,115
Units of water used per FTE (kL/FTE)	23.3	26.8	44.2
Water consumption per passenger kilometre (L/pass km)	0.100	0.128	0.092

### Actions undertaken

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

### Targets

Specific water reduction targets were not set for water consumption for 2021-22.

### Explanatory notes

V/Line obtains water data from billing information received from 13 water companies. There is a significant lag between when this data is received, and accuracy increases following the end of the financial year.

### Travel and transport

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

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

<b>Travel and Transport</b>	2021-22	2020-21	2019-20
Energy consumption by fleet vehicles (MJ)			
Diesel	70,615,363	72,375,253	66,532,375
Unleaded	1,005,431	677,898	742,128
<b>Total</b>	<b>71,620,794</b>	<b>73,053,151</b>	<b>67,274,503</b>
Energy use per FTE (MJ/FTE)	29,582	32,079	30,645
Greenhouse gas emissions from fleet vehicles (tonnes CO <sub>2</sub> -e)			
Diesel	4,933	5,110	4,697
Unleaded	68	47	47
<b>Total</b>	<b>5,001</b>	<b>5,157</b>	<b>4,744</b>

### Actions undertaken

In operating a broad regional network, V/Line encourages minimising road travel through the use of the rail network and holding online meetings where possible. V/Line also provides opportunity for flexible working and remote working, which has significantly reduced indirect (Scope 3) emissions. Use of online meeting facilities was prioritised heavily during COVID-19 and flexible working arrangements continue to be supported in the post-COVID-19 workforce.

### Targets

V/Line sets targets for total emissions intensity (tCO<sub>2</sub>-e/passenger kilometre), not specifically energy consumption for transport. Long and short-term targets are detailed above.

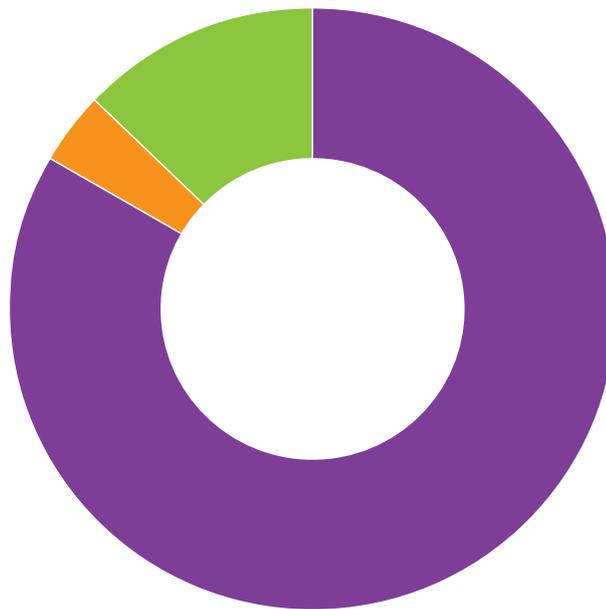
### Explanatory notes

V/Line does not keep data on:

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

## Greenhouse gas emissions

The running of trains is the primary source of climate change emissions at V/Line, with fuel use accounting for almost 115,000 tonnes, or approximately 84 per cent of our emissions. Other sources of climate change emissions are the vehicle fleet and the consumption of electricity at V/Line sites. Electricity is used for internal and external lighting, heating, air-conditioning as well as office and plant equipment.



Train fuel **85.65 per cent**  
Fleet fuel **3.74 per cent**  
Electricity **10.60 per cent**

## Additional information available on request

In compliance with the requirements of the Standing Directions 2018 under the Financial Management Act 1994, details in respect of the items listed below have been retained by V/Line and are available on request, subject to the provisions of the Freedom of Information Act 1982:

- (a) a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- (b) details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- (c) details of publications produced by the entity about itself, and how these can be obtained
- (d) details of changes in prices, fees, charges, rates and levies charged by the entity
- (e) details of any major external reviews carried out on the entity
- (f) details of major research and development activities undertaken by the entity
- (g) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- (h) details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services
- (i) details of assessments and measures undertaken to improve the occupational health and safety of employees
- (j) a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- (k) a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- (l) details of all consultancies and contractors including:
  - i. consultants/contractors engaged
  - ii. services provided
  - iii. expenditure committed to for each engagement.

The information is available on request from:

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

Email [foi@vline.com.au](mailto:foi@vline.com.au)

## Attestation for financial management compliance with Ministerial Standing Direction 5.1.4

### **V/Line Corporation Financial Management Compliance Attestation Statement**

I, Matt Carrick, certify that V/Line Corporation has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

A handwritten signature in black ink, appearing to read "Matt Carrick", with a long horizontal flourish extending to the right.

Matt Carrick, *Chief Executive Officer*



65

Geelong  
Express

Night Coach: Express to Geelong

North Geelong  
Geelong  
South Geelong  
Interim  
Murray Ponds

65

# Financial statements



# V/Line Corporation

## – Financial Statements

V/Line Corporation has presented its audited general-purpose financial statements for the financial year ended 30 June 2022 in the following structure to provide users with the information about V/Line’s stewardship of the resources entrusted to it.

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## Declaration in the financial statements

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

We further state that, in our opinion, the information set out in the Comprehensive operating statement, Balance sheet, Statement of changes in equity, Cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2022 and financial position of the entity at 30 June 2022.

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 5 October 2022.

A handwritten signature in black ink, appearing to read 'Matt Carrick', with a long horizontal stroke extending to the right.

Matt Carrick, *Chief Executive Officer*

A handwritten signature in black ink, appearing to read 'Scott Quirke', with a long horizontal stroke extending to the right.

Scott Quirke, *Chief Financial Officer*

## Independent Auditor's Report



### Independent Auditor's Report

#### To the Chief Executive Officer of V/Line Corporation

<b>Opinion</b>	<p>I have audited the financial report of V/Line Corporation (the entity) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2022</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• declaration in the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2022 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Chief Executive Officer's responsibilities for the financial report</b>	<p>The Chief Executive Officer of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's responsibilities for the audit of the financial report**

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

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

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

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

MELBOURNE  
11 October 2022



Simone Bohan  
as delegate for the Auditor-General of Victoria

## Comprehensive operating statement <sup>(a)</sup>

For the financial year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Continuing Operations</b>			
<b>Revenue and income from transactions</b>	2.1	<b>1,173,518</b>	<b>1,024,991</b>
<b>Expenses from transactions</b>			
Operating costs (excluding labour)	3.2	409,794	354,068
Employee benefit expenses	3.3.1	359,018	317,902
Depreciation/Amortisation	4.2	29,222	25,395
Administrative expenses	3.5	43,317	45,321
Project expenses	3.6	102,468	68,135
Infrastructure maintenance	3.7	240,830	185,505
Interest expense	6.2	2,203	1,923
<b>Total expenses from transactions</b>		<b>1,186,852</b>	<b>998,249</b>
<b>Net result from transactions (net operating balance)</b>		<b>(13,334)</b>	<b>26,742</b>
<b>Other economic flows included in Net result</b>			
Net loss on non-financial assets <sup>(b)</sup>	3.8(a)	(6,725)	–
Net gain/(loss) on financial instruments <sup>(c)</sup>	3.8(b)	19,821	(4,927)
Other gain from other economic flows	3.8(c)	8,018	937
<b>Total other economic flows included in Net result</b>		<b>21,114</b>	<b>(3,990)</b>
<b>Net result from continuing operations before income tax</b>		<b>7,780</b>	<b>22,752</b>
Income tax expense	3.9	(5,661)	(2,240)
<b>Net result for the period after income tax</b>		<b>2,119</b>	<b>20,512</b>
<b>Other economic flows – Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to Net result</b>			
Changes in fair value of hedge instruments, net of tax, in cash flow hedge reserve	8.4	6,514	8,652
<b>Total other economic flows – Other comprehensive income</b>		<b>6,514</b>	<b>8,652</b>
<b>Comprehensive result</b>		<b>8,633</b>	<b>29,164</b>

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(b) 'Net loss on non-financial assets' includes unrealised and realised gains/(losses) from writedown and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation surplus.

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

## Balance sheet <sup>(a)</sup>

As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	6.1	78,031	48,032
Receivables	5.1	26,361	64,713
Contract assets	5.2	40,473	17,785
Other financial assets	5.7	15,404	6,097
<b>Total financial assets</b>		<b>160,269</b>	<b>136,627</b>
<b>Non-financial assets</b>			
Inventories	5.4	37,338	27,275
Property, plant and equipment	4.1	186,632	196,862
Intangible assets	4.3	7,340	8,361
Other non-financial assets	5.6	2,996	6,437
<b>Total non-financial assets</b>		<b>234,306</b>	<b>238,935</b>
<b>Total assets</b>		<b>394,575</b>	<b>375,562</b>
<b>Liabilities</b>			
Payables	5.3	117,298	115,552
Employee related provisions	3.3.2	111,048	105,770
Provision for income tax	5.5	8,453	5,948
Lease liabilities	6.2	69,359	68,508
<b>Total liabilities</b>		<b>306,158</b>	<b>295,778</b>
<b>Net assets</b>		<b>88,417</b>	<b>79,784</b>
<b>Equity</b>			
Accumulated deficit	8.4	(52,926)	(55,045)
Physical asset revaluation surplus	8.4	130,561	130,561
Cash flow hedge reserve	8.4	10,782	4,268
<b>Net worth</b>		<b>88,417</b>	<b>79,784</b>
Commitments for expenditure	6.3		
Contingent assets and contingent liabilities	7.2		

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

## Cash flow statement <sup>(a)</sup>

For the financial year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
<b>Cash flows from Operating Activities</b>			
<b>Receipts</b>			
Receipts from Government		1,229,106	1,030,004
Receipts from tickets sales and other entities		69,927	50,577
Interest received		222	89
<b>Total receipts</b>		<b>1,299,255</b>	<b>1,080,670</b>
<b>Payments</b>			
Payments to suppliers and employees		(1,206,194)	(990,835)
Goods and service tax paid to the ATO <sup>(b)</sup>		(31,067)	(35,076)
Income taxes paid		(5,948)	–
Interest paid on lease liabilities		(2,203)	(1,923)
<b>Total payments</b>		<b>(1,245,412)</b>	<b>(1,027,834)</b>
<b>Net cash flows from operating activities</b>	6.1.1	<b>53,843</b>	<b>52,836</b>
<b>Cash flows from Investing Activities</b>			
Purchases of non-financial assets		(12,175)	(11,622)
<b>Net cash flows used in investing activities</b>		<b>(12,175)</b>	<b>(11,622)</b>
<b>Cash flows from Financing Activities</b>			
Repayment of principal portion of lease liabilities <sup>(c)</sup>		(11,669)	(9,776)
<b>Net cash flows used in financing activities</b>		<b>(11,669)</b>	<b>(9,776)</b>
<b>Net increase in cash and cash equivalents</b>		<b>29,999</b>	<b>31,438</b>
Cash and cash equivalents at the beginning of the financial year		48,032	16,594
<b>Cash and cash equivalents at the end of the financial year</b>	6.1	<b>78,031</b>	<b>48,032</b>

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(b) Goods and Services Tax (GST) paid to the Australian Taxation Office (ATO) is presented on a net basis.

(c) V/Line has recognised cash payments for the principal portion of lease payments as financing activities; cash payments for the interest portion as operating activities, consistent with the presentation of interest payments and short-term lease payments for leases and low-value assets as operating activities.

## Statement of changes in equity<sup>(a)</sup>

For the financial year ended 30 June 2022

		Physical Asset Revaluation Surplus	Cash Flow Hedge Reserve	Accumulated Deficit	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2020</b>	8.4	130,561	(4,384)	(75,557)	50,620
Net result for the year	8.4	–	–	20,512	20,512
Other comprehensive income for the year	8.4	–	8,652	–	8,652
<b>Balance at 30 June 2021</b>	8.4	<b>130,561</b>	<b>4,268</b>	<b>(55,045)</b>	<b>79,784</b>
Net result for the year	8.4	–	–	2,119	2,119
Other comprehensive income for the year	8.4	–	6,514	–	6,514
<b>Balance at 30 June 2022</b>	8.4	<b>130,561</b>	<b>10,782</b>	<b>(52,926)</b>	<b>88,417</b>

The accompanying notes form part of these financial statements.

(a) This format is aligned to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

# 1. About this Report

These annual financial statements represent the audited general-purpose financial statements for V/Line Corporation (V/Line) for the year ended 30 June 2022.

V/Line was established as a statutory corporation in 2003 and continues under the *Transport Integration Act 2010*. On 14 October 2008, V/Line was declared a State business corporation pursuant to the *State Owned Enterprises Act 1992*. Subsequently, on 1 July 2021, V/Line ceased to be a State business corporation under the State Owned Enterprises Act and pursuant to a transport restructuring order under the Transport Integration Act, the Chief Executive Officer became the sole member of V/Line. Its principal address is:

Level 6, 452 Flinders Street  
Melbourne 3000

The functions 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 Department of Transport (DoT)
- develop and deliver projects, including by acquiring rolling stock, constructing rail infrastructure, roads or road-related infrastructure, or providing assistance to the Secretary of DoT or any other relevant body in making improvements to the transport system
- provide advice to DoT to assist in operational policy development in relation to public transport system matters as requested by DoT
- develop and implement effective environmental policies, strategies, and management systems under the Secretary of DoT's planning framework to support a sustainable transport system, including minimising any adverse environmental impacts from rail passenger and rail freight services
- provide, or arrange for the provision and dissemination of, information to Victorians about its rail passenger and rail freight services
- report on the activities of any other person carrying out the above objectives on behalf of V/Line.

## Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

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

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

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

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

All amounts in the financial statements have been rounded to the nearest \$1,000, unless otherwise stated.

## Compliance information

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

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

## 2. Funding delivery of our services

### Introduction

To enable V/Line to fulfil its functions and provide outputs, it receives revenue and income from various sources.

### Structure

- 2.1 Summary of revenue and income that funds the delivery of our services
- 2.2 Ticket sales/farebox
- 2.3 Contributions from Government
- 2.4 Project revenue

	Notes	2022 \$'000	2021 \$'000
<b>2.1 Summary of revenue and income that funds the delivery of our services</b>			
Ticket sales/farebox	2.2	42,469	32,612
Inter-operator revenue		1,048	831
Contributions from Government	2.3	776,633	730,683
Project revenue	2.4	343,298	253,640
Access revenue		5,819	5,924
Interest		222	89
Other income		4,029	1,212
<b>Total revenue and income from transactions</b>		<b>1,173,518</b>	<b>1,024,991</b>

The revenue and income that funds delivery of V/Line's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

Notes	2022	2021
	\$'000	\$'000
<b>2.2 Ticket sales/farebox</b>		
myki ticketing system	27,866	21,393
V/Net ticketing system	14,603	11,219
	<b>42,469</b>	<b>32,612</b>

The proceeds from train passenger services provided is recognised as farebox revenue. Revenue is recognised when V/Line satisfies its performance obligations of providing rail passenger services to the customer. V/Line receives farebox revenue from both the myki and V/Net ticketing systems. myki revenues are subject to the allocation methodologies of the NTS Revenue Sharing Agreement dated 27 November 2009 with DoT, Metro Trains Melbourne Pty Ltd and KDR Victoria Pty Ltd. V/Net is V/Line's ticketing system for non-myki areas and this revenue is directly received.

### 2.3 Contributions from Government

Services payment (2021: Franchise subsidy)	776,633	722,869
Leave funding	–	7,814
	<b>776,633</b>	<b>730,683</b>

Previously, the State Government of Victoria via DoT, provided subsidies to V/Line under a Partnership Agreement. This arrangement was replaced with a Service Level Agreement with DoT, effective from 1 July 2021. These agreements are considered enforceable and include sufficiently specific performance obligations. Accordingly these contributions are accounted for as revenue in accordance with AASB 15 *Revenue from Contracts with Customers*, and are recognised as revenue when the performance obligations are satisfied. These contributions are of an operational nature.

### 2.4 Project revenue

Government	329,760	243,672
Other entities	13,538	9,968
	<b>343,298</b>	<b>253,640</b>

Project revenue reflects reimbursement payments received under the Projects Module of the Service Level Agreement with DoT based on an expense recovery model (i.e. to recover direct project costs with no added margin). This agreement with DoT is considered enforceable and contains sufficiently specific performance obligations with respect to project delivery services. Accordingly, payments received under this agreement are accounted for as revenue in accordance with AASB 15 *Revenue from Contracts with Customers* and are recognised as revenue when the performance obligations under the project contract are satisfied. V/Line uses the input method to measure progress based on the costs incurred and performance obligations met, and revenue is recognised when V/Line invoices the customer. The related project expenditure is detailed under note 3.1 within Project expenses and Infrastructure maintenance, and further within notes 3.6 and 3.7 respectively.

Under this agreement, V/Line undertakes various major public transport infrastructure projects on infrastructure assets owned by other government entities. These projects include the Annual Works Program, level crossing upgrades, track and bridge replacements, new stations and platforms, sleeper renewals, signalling upgrades, maintenance of new or existing stabling yards and track extensions.

## 3. The cost of delivering our services

### Introduction

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

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

### Structure

- 3.1 Expenses incurred in delivery of services (excluding Depreciation/Amortisation)
- 3.2 Operating costs (excluding labour)
- 3.3 Employee benefits
- 3.4 Superannuation contributions
- 3.5 Administrative expenses
- 3.6 Project expenses
- 3.7 Infrastructure maintenance
- 3.8 Other economic flows included in Net result
- 3.9 Income tax expense

	Notes	2022 \$'000	2021 \$'000
<b>3.1 Expenses incurred in delivery of services (excluding Depreciation/Amortisation)</b>			
Operating costs (excluding labour)	3.2	409,794	354,068
Employee benefit expenses	3.3.1	359,018	317,902
Operational expenses		768,812	671,970
Administrative expenses	3.5	43,317	45,321
Project expenses	3.6	102,468	68,135
Infrastructure maintenance	3.7	240,830	185,505
<b>Total expenses incurred in delivery of services</b>		<b>1,155,427</b>	<b>970,931</b>

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

Notes	2022	2021
	\$'000	\$'000
<b>3.2 Operating costs (excluding labour)</b>		
<b><i>Supplies and services</i></b>		
Fleet maintenance	167,738	148,598
Fuel costs	44,197	24,087
Access charges	17,197	17,018
V/Line branded coach contract costs	43,004	39,045
Road coach services	16,911	16,340
Repairs and maintenance	69,660	60,733
Other direct costs	51,087	48,247
<b>Total operating costs (excluding labour)</b>	<b>409,794</b>	<b>354,068</b>

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

### **Supplies and services**

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

V/Line branded coach contract costs are costs related to the provision of timetabled passenger coach services. Road coach services costs relate to the provision of replacement coach services in the event of disruption to passenger rail services. Fleet maintenance costs represent the cost of reactive and preventive maintenance on the rolling stock fleet. Repairs and maintenance costs relate to infrastructure maintenance costs on the passenger and freight rail network that V/Line manages.

V/Line hedges the commodity price risk relating to its fuel costs and the foreign currency risk relating to its fleet maintenance contract via cash flow hedges (refer to Note 7.1.3).

Notes	2022	2021
	\$'000	\$'000

### 3.3 Employee Benefits

#### 3.3.1 Employee benefit expenses in the Comprehensive operating statement

Salaries and wages	248,041	226,743
Superannuation	36,068	32,479
Annual leave and long service leave expense	51,888	39,989
Other on-costs (payroll tax and WorkCover levy)	23,021	18,691
<b>Total employee benefit expenses</b>	<b>359,018</b>	<b>317,902</b>

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

#### 3.3.2 Employee benefits in the Balance sheet

Current employee provisions

Employee benefits <sup>(i)</sup>

Annual leave		
Unconditional and expected to settle within 12 months <sup>(ii)</sup>	28,103	26,519
Unconditional and expected to settle after 12 months <sup>(iii)</sup>	7,215	6,887
	35,318	33,406

Long service leave

Unconditional and expected to settle within 12 months <sup>(ii)</sup>	5,292	13,551
Unconditional and expected to settle after 12 months <sup>(iii)</sup>	41,669	32,507
	46,961	46,058

Other leave

Unconditional and expected to settle within 12 months <sup>(ii)</sup>	3,907	3,657
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Other provisions – employee related (Note 3.3.2(a))

1,351	1,374
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Total employee benefits	87,537	84,495
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Provisions for on-costs

Unconditional and expected to settle within 12 months <sup>(ii)</sup>	6,650	6,389
Unconditional and expected to settle after 12 months <sup>(iii)</sup>	5,700	4,111
Total on-costs	12,350	10,500

<b>Total current provisions for employee benefits</b>	<b>99,887</b>	<b>94,995</b>
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Notes	2022	2021
	\$'000	\$'000
<b>Non-current employee provisions</b>		
Employee benefits <sup>(i)</sup> – Long service leave	10,109	9,880
On-costs	1,052	895
<b>Total non-current provisions for employee benefits</b>	<b>11,161</b>	<b>10,775</b>
<b>Total provisions for employee benefits</b>	<b>111,048</b>	<b>105,770</b>

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

(ii) These amounts are recorded at nominal value.

(iii) These amounts are recorded at present values.

	Employee Benefits \$'000	On-costs \$'000	Total \$'000
<b>Reconciliation of movement in provisions</b>			
<b>2022</b>			
<b>Opening Balance</b>	<b>94,375</b>	<b>11,395</b>	<b>105,770</b>
Net additional provisions recognised and reductions arising from payments/other sacrifices of future economic benefits	10,474	2,822	13,296
Unwind of discount and effect of changes in the discount rate	(7,203)	(815)	(8,018)
<b>Closing Balance</b>	<b>97,646</b>	<b>13,402</b>	<b>111,048</b>

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

Employee benefits are guaranteed by the State of Victoria. This guarantee does not satisfy the recognition criteria under the AASs for an offsetting receivable to be recognised in the accounts of V/Line.

*(i) Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and other short-term employee benefits, are recognised

as part of the employee benefit provision as current liabilities, because V/Line does not have an unconditional right to defer the settlement of these liabilities.

The liability for salaries and wages are recognised in the Balance sheet at remuneration rates which are current at reporting date. As V/Line expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts. The annual leave liability is classified as a current liability and measured at undiscounted amount expected to be paid, as V/Line does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Comprehensive operating statement as it is taken.

**(ii) Long service leave**

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

Unconditional LSL is disclosed as a current liability even where V/Line does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL are measured at:

- undiscounted value – if V/Line expects to wholly settle within 12 months
- present value – if V/Line does not expect to wholly settle within 12 months.

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

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

**(iii) Employee benefits on-costs**

Provisions for on-costs, comprising payroll tax, workers' compensation and superannuation, are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

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

**3.4 Superannuation contributions**

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

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

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

The names, details and amounts in relation to the major employee superannuation funds and contributions made by V/Line are as follows:

Fund	Paid contribution for the year		Contributions outstanding at year end	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Defined benefit plans<sup>(i)</sup></b>				
Emergency Services and State Super	8,349	8,307	621	649
<b>Total defined benefit plans</b>	<b>8,349</b>	<b>8,307</b>	<b>621</b>	<b>649</b>
<b>Defined contribution plans</b>				
VicSuper	14,345	12,302	1,118	1,020
Various other	9,466	11,510	997	824
<b>Total defined contribution plans</b>	<b>23,811</b>	<b>23,812</b>	<b>2,115</b>	<b>1,844</b>
<b>Total superannuation plans</b>	<b>32,160</b>	<b>32,119</b>	<b>2,736</b>	<b>2,493</b>

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

### 3.5 Administrative expenses

Administrative expenses are made up of the following expense categories:

	2022 \$'000	2021 \$'000
Information technology and communication	16,492	15,591
Motor vehicle	4,049	4,139
Short-term lease expenses	2,137	2,145
Leases of low-value assets	149	341
Insurance	2,754	2,724
Utilities	3,779	4,354
Other administration	8,202	9,770
<b>Total administration</b>	<b>37,562</b>	<b>39,064</b>
Selling	585	749
Marketing and communication	1,238	1,756
Customer services	3,932	3,752
<b>Total Administrative expenses</b>	<b>43,317</b>	<b>45,321</b>

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

### 3.6 Project expenses

V/Line undertakes various major public transport infrastructure projects, on infrastructure assets owned by other government entities. These projects include level crossing upgrades, track and bridge replacements, new stations and platforms, sleeper renewals, signalling upgrades, maintenance of new or existing stabling yards, and track extensions.

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

### 3.7 Infrastructure maintenance

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

### 3.8 Other economic flows included in Net result

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

	2022	2021
	\$'000	\$'000
<b>(a) Net loss on non-financial assets</b>		
Writedown of property, plant and equipment	(6,725)	–
<b>Total net loss on non-financial assets</b>	<b>(6,725)</b>	<b>–</b>
<b>(b) Net gain/(loss) on financial instruments</b>		
Allowance for impairment losses of contractual receivables	(257)	(369)
Net gain/(loss) on diesel hedge	20,319	(4,056)
Net loss on foreign currency hedge	(241)	(502)
<b>Total net loss on financial instruments</b>	<b>19,821</b>	<b>(4,927)</b>
<b>(c) Other gain from other economic flows</b>		
Net gain arising from revaluation of long service leave liability	8,018	937
<b>Total other gain from other economic flows</b>	<b>8,018</b>	<b>937</b>

**3.9 Income tax expense**

	2022	2021
	\$'000	\$'000
Accounting profit before income tax	7,780	22,752
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2021: 30%)	2,334	6,826
Tax expense relating to non-temporary differences	–	1
Utilisation of tax losses not previously recognised	–	(4,197)
De-recognition / (recognition) of deferred tax asset	3,327	(390)
<b>Income tax expense</b>	<b>5,661</b>	<b>2,240</b>
The components of tax expense/(benefit) comprises:		
Current tax	8,453	5,903
Deferred tax	(2,792)	(3,663)
<b>Total tax expense</b>	<b>5,661</b>	<b>2,240</b>
Weighted average tax rate	72.8%	9.84%

The were no unutilised tax losses carried forward as at 30 June 2022 (2021: Nil).

## 4. Key assets available to support output delivery

### Introduction

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

#### *Fair value measurement*

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

### Structure

- 4.1 Property, plant and equipment
- 4.2 Depreciation and impairment
- 4.3 Intangible assets

4.1 Property, plant and equipment	2022	2021
4.1.1 Carrying amounts	\$'000	\$'000
<b>Rolling stock</b>		
At fair value	95,785	102,445
Accumulated depreciation	(17,258)	(9,238)
<b>Net carrying amount</b>	<b>78,527</b>	<b>93,207</b>
<b>Rolling stock – capitalised improvements</b>		
At fair value	9,767	6,943
Accumulated depreciation	(2,210)	(774)
<b>Net carrying amount</b>	<b>7,557</b>	<b>6,169</b>
<b>Plant and equipment <sup>(i)</sup></b>		
At fair value	89,213	78,199
Accumulated depreciation	(50,794)	(43,966)
<b>Net carrying amount</b>	<b>38,419</b>	<b>34,233</b>
<b>Leasehold improvements</b>		
At fair value	10,718	10,222
Accumulated depreciation	(6,783)	(6,178)
<b>Net carrying amount</b>	<b>3,935</b>	<b>4,044</b>
<b>Buildings <sup>(i)</sup></b>		
At fair value	51,683	51,990
Accumulated depreciation	(15,052)	(8,945)
<b>Net carrying amount</b>	<b>36,631</b>	<b>43,045</b>
<b>Capital works-in-progress</b>	<b>21,563</b>	<b>16,164</b>
<b>Total property, plant and equipment</b>	<b>186,632</b>	<b>196,862</b>

(i) The carrying amounts include right-of-use assets.

Included in the above property, plant and equipment are the following right-of-use assets:

	2022	2021
	\$'000	\$'000
<b>Plant and equipment</b>		
At fair value	44,920	32,474
Accumulated depreciation	(16,136)	(9,665)
<b>Net carrying amount</b>	<b>28,784</b>	<b>22,809</b>
<b>Buildings</b>		
At fair value	51,683	51,990
Accumulated depreciation	(15,052)	(8,945)
<b>Net carrying amount</b>	<b>36,631</b>	<b>43,045</b>
<b>Total right-of-use assets</b>	<b>65,415</b>	<b>65,854</b>

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

V/Line's non-financial physical assets are mostly specialised in nature. As a not-for-profit entity, V/Line's non-financial physical assets are held for continuing use of their service capacity and not primarily for their ability to generate net cash inflows. As a result, the fair value of V/Line's non-financial physical assets has been determined by reference to the asset's current replacement cost, adjusting for the associated depreciation.

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

Right-of-use assets represent V/Line's right to use an underlying asset obtained under a lease contract for the lease term. Right-of-use assets are initially measured at cost, which consist of the initial amount of the related lease liability adjusted for any prepaid lease payments less any lease incentives received plus any initial direct costs incurred less an estimate of dismantling and removal costs. Subsequently, right-of-use assets are measured at current replacement cost less accumulated depreciation and impairment, and adjusted for any remeasurement of the related lease liability. The right-of-use assets are subject to revaluation (if any).

There were no changes in valuation techniques throughout the period to 30 June 2022.

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

## 4.1.2 Reconciliation of movement in carrying amounts

	2022	2021
	\$'000	\$'000
<b>Rolling stock at fair value</b>		
Carrying amount at beginning of year	93,207	102,445
Depreciation expense	(9,192)	(9,238)
Writedown	(5,488)	–
<b>Carrying amount at end of year</b>	<b>78,527</b>	<b>93,207</b>
<b>Rolling stock at cost – capitalised improvements</b>		
Carrying amount at beginning of year	6,169	–
Additions	4,677	6,943
Transfers from Capital works-in-progress	496	–
Depreciation expense	(2,548)	(774)
Writedown	(1,237)	–
<b>Carrying amount at end of year</b>	<b>7,557</b>	<b>6,169</b>
<b>Plant and equipment</b>		
Carrying amount at beginning of year	34,233	28,381
Additions	13,869	13,856
Transfers from Capital works-in-progress	72	–
Transfers to Intangible assets	(1,464)	–
Remeasurements	–	(146)
Disposals	(5)	(5)
Depreciation expense	(8,286)	(7,853)
<b>Carrying amount at end of year</b>	<b>38,419</b>	<b>34,233</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning of year	4,044	3,757
Additions	496	905
Disposals	–	(7)
Depreciation expense	(605)	(611)
<b>Carrying amount at end of year</b>	<b>3,935</b>	<b>4,044</b>

	2022	2021
	\$'000	\$'000
<b>Buildings</b>		
Carrying amount at beginning of year	43,045	33,131
Additions	182	15,559
Remeasurements	(489)	4
Depreciation expense	(6,107)	(5,649)
<b>Carrying amount at end of year</b>	<b>36,631</b>	<b>43,045</b>
<b>Capital works-in-progress</b>		
Carrying amount at beginning of year	16,164	23,690
Additions	5,967	–
Transfers	(568)	(7,526)
<b>Carrying amount at end of year</b>	<b>21,563</b>	<b>16,164</b>
<b>Total property, plant and equipment</b>		
Carrying amount at beginning of year	196,862	191,404
Additions	25,191	37,263
Remeasurements	(489)	(142)
Disposals	(5)	(12)
Depreciation expense	(26,738)	(24,125)
Writedown	(6,725)	–
Transfers to Intangible assets	(1,464)	(7,526)
<b>Carrying amount at end of year</b>	<b>186,632</b>	<b>196,862</b>

Included in the movement of property, plant and equipment above is the following movement of right-of-use assets:

	2022	2021
	\$'000	\$'000
<b>Plant and equipment</b>		
Carrying amount at beginning of year	22,809	18,381
Additions	12,828	10,149
Remeasurements	–	(146)
Depreciation expense	(6,853)	(5,575)
<b>Carrying amount at end of year</b>	<b>28,784</b>	<b>22,809</b>
<b>Buildings</b>		
Carrying amount at beginning of year	43,045	33,131
Additions	182	15,559
Remeasurements	(489)	4
Depreciation expense	(6,107)	(5,649)
<b>Carrying amount at end of year</b>	<b>36,631</b>	<b>43,045</b>
<b>Total right-of-use assets</b>		
Carrying amount at beginning of year	65,854	51,512
Additions	13,010	25,708
Remeasurements	(489)	(142)
Depreciation expense	(12,960)	(11,224)
<b>Carrying amount at end of year</b>	<b>65,415</b>	<b>65,854</b>

### 4.1.3 Rolling stock

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

The refurbishment program, as part of the Rolling Stock Management Plan, consists of major examinations and overhauls of rolling stock. V/Line treats these examinations as significant upgrades, which extend the useful life of the rolling stock. The refurbishment program will allow for the fleet to operate to the current useful life profile as per the 2020 Valuer-General Victoria (VGV) full valuation. The refurbishment program also includes the replacement of major units such as traction and locomotive motors, generators, wheel sets and bogies. These items are capitalised and depreciated over their useful life, and their carrying values are taken into consideration when adjusting the carrying value of rolling stock to fair value. All other maintenance examinations and minor work is treated as repairs and maintenance and expensed when incurred.

Non-financial physical assets, including rolling stock, are measured at fair value in accordance with FRD 103 Non-financial physical assets issued by the Assistant Treasurer. V/Line undertook an independent revaluation of its rolling stock as at 30 June 2020 in line with the five-year revaluation cycle based on the assets' Classification of the Functions of Government (COFOG) classification. Independent valuers are used to conduct the scheduled revaluation. In between the scheduled revaluations, V/Line

conducts roll-forward valuations for financial reporting purposes, which are determined in accordance with the requirements of the FRDs. Revaluations may occur more frequently if fair value assessments indicate material changes in value.

V/Line has adopted current replacement cost as the valuation basis for the rolling stock rather than a market comparison or income approach, 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, and the rolling stock assets lack separately identifiable cash flows. The current replacement cost approach is less sensitive to external economic factors compared to market or income-based valuation approaches. The calculation of current replacement cost involves establishing the gross current replacement cost of the assets, and then depreciating this value to reflect the anticipated effective working life of the asset from new, the age of the asset and the estimated residual value at the end of the asset's working life.

For the year ended 30 June 2022, the VGV has completed a roll-forward valuation on V/Line's rolling stock assets consistent with the requirements of the FRDs and the assumptions adopted within the last independent scheduled revaluation. The interim revaluation did not differ materially from the 30 June 2020 scheduled revaluation adjusted for associated depreciation expense. V/Line considers that the net carrying value of the rolling stock as at 30 June 2022 is a reasonable approximation of its fair value.

Whilst the VGV has not applied an adjustment for economic obsolescence in the determination of current replacement cost, the valuer has advised that the current market environment, impacted by COVID-19 and structural changes to passenger behaviour, creates significant valuation uncertainty. Future changes to the economic environment may require variations to assumptions which could have a material impact on the valuation outcome.

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

Revaluation increments, or decrements are accounted for as follows:

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

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

During the year, certain units of rolling stock and their related capitalised improvements were removed from service, with an intention to dispose of these assets. As a result, these rolling stock assets and their related capitalised improvements were written down to their expected recoverable value from disposal.

#### **4.1.4 Leasehold improvements**

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

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

**4.2 Depreciation and impairment**

2022 2021

\$'000 \$'000

**Charge for the period**

Rolling stock	9,192	9,238
Rolling stock – capitalised improvements	2,548	774
Plant and equipment <sup>(a)</sup>	8,286	7,853
Leasehold improvements	605	611
Buildings <sup>(a)</sup>	6,107	5,649
Intangible assets (amortisation)	2,484	1,270
<b>Total depreciation and amortisation</b>	<b>29,222</b>	<b>25,395</b>

(a) Includes depreciation charge on right-of-use assets.

Included in the above depreciation charge is the following depreciation charge on right-of-use assets:

Plant and equipment	6,853	5,575
Buildings	6,107	5,649
<b>Total depreciation on right-of-use assets</b>	<b>12,960</b>	<b>11,224</b>

**Depreciation**

Rolling stock, plant and equipment, leasehold improvement, buildings and other non financial physical assets that have finite useful lives are depreciated.

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

Right-of-use assets are depreciated over the lease term as V/Line does not obtain ownership of the underlying assets at the end of the lease term.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

**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 in the following table:

Rolling stock	2 to 12 years
Rolling stock – capitalised improvements	2 to 12 years
Plant and equipment (including right-of-use assets)	3 to 10 years
Leasehold improvements	3 to 13 years
Buildings (including right-of-use assets)	3 to 10 years

**Reassessment of estimated useful lives of rolling stock**

During the financial year, V/Line reassessed the estimated total useful lives of rolling stock in alignment with the 2020 VGV full valuation. The net financial effect of this reassessment in the current financial year was an increase in depreciation expense of \$2,862,000. The effect of this change in estimates in future years is expected to approximate this amount, until such time when these assets are fully depreciated.

### Impairment

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

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only

to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised in prior years.

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

### 4.3 Intangible assets

	2022	2021
	\$'000	\$'000
<b>Gross carrying amount</b>		
Opening balance	24,313	16,706
Additions	–	7,607
Transfer from Property, plant and equipment	2,489	–
<b>Closing balance</b>	<b>26,802</b>	<b>24,313</b>
<b>Accumulated amortisation</b>		
Opening balance	(15,952)	(14,682)
Transfer from Property, plant and equipment	(1,026)	–
Amortisation of intangible assets	(2,484)	(1,270)
<b>Closing balance</b>	<b>(19,462)</b>	<b>(15,952)</b>
<b>Net book value at end of financial year</b>	<b>7,340</b>	<b>8,361</b>

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

### Amortisation

Intangible assets with finite lives are amortised on a systematic (straight line) basis over the asset's useful life. Computer software intangible assets are amortised over three to five years.

Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

### Impairment

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

# 5. Other assets and liabilities

## Introduction

This section sets out those assets and liabilities that arose from V/Line's controlled operations.

## Structure

- 5.1 Receivables
- 5.2 Contract assets
- 5.3 Payables
- 5.4 Inventories
- 5.5 Taxes
- 5.6 Other non-financial assets
- 5.7 Other financial assets

5.1 Receivables	2022	2021
	\$'000	\$'000
<b>Contractual</b>		
Trade receivables	22,190	49,531
Other receivables	4,151	14,182
Allowance for impairment of contractual receivables	(778)	(521)
	<b>25,563</b>	<b>63,192</b>
<b>Statutory</b>		
Fuel rebate receivable from the ATO	798	1,521
	<b>798</b>	<b>1,521</b>
<b>Total receivables</b>	<b>26,361</b>	<b>64,713</b>
<b>Represented by</b>		
Current receivables	26,361	64,713
<b>Related party receivables (included in contractual receivables)<sup>(a)</sup></b>		
DoT	14,491	55,726
Other related parties	4,225	1,741
	<b>18,716</b>	<b>57,467</b>

(a) Refer Note 8.7 Related parties.

**Contractual receivables**, such as debtors in relation to sales of goods and services, represent passenger, inter-operator and other revenue receivable. They are classified as financial instruments and categorised as 'financial assets at amortised cost'. They are initially recognised at fair value plus any directly attributable transaction costs. V/Line holds the contractual receivables with the objective to collect the contractual cash flows and therefore they are subsequently measured at amortised cost using the effective interest method, less any impairment.

**Statutory receivables**, such as amounts owing from the ATO relating to fuel tax credits, do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified

as financial instruments for disclosure purposes. V/Line applies AASB 9 *Financial Instruments* for initial measurement of the statutory receivables and as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Details about V/Line's impairment policies, exposure to credit risk and the calculation of the loss allowance are set out in Note 7.1.

Related party receivables predominantly consist of amounts owing from DoT 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.

	2022	2021
	\$'000	\$'000
<b>5.2 Contract assets</b>		
Opening balance	17,785	23,123
Add: Additional costs incurred and recoverable from customers	343,298	253,640
Less: Amounts transferred to receivables	(320,610)	(258,978)
<b>Total contract assets</b>	<b>40,473</b>	<b>17,785</b>
<b>Represented by</b>		
Current contract assets	40,473	17,785

Contract assets relate to V/Line's right to consideration in exchange for services performed and performance obligations met under project contracts for customers, which were completed but not yet billed at the reporting date. The Contract assets are transferred to Receivables when the rights

become unconditional, at which time an invoice is issued. The balance of the contract assets as at the year end was impacted by the increase in the value of project works completed during 2021-22 but not billed at balance date. The project billing is expected to occur by early next year.

## 5.3 Payables

	2022	2021
	\$'000	\$'000
<b>Contractual</b>		
Trade payables – unsecured	45,578	62,864
Superannuation payable	4,178	2,802
Accruals	49,964	33,736
Deferred income	2,392	5,982
Other payables	10,571	8,705
	<b>112,683</b>	<b>114,089</b>
<b>Statutory</b>		
GST payable/(receivable)	1,913	(460)
FBT payable	156	139
Other taxes payable	2,466	1,859
WorkCover payable/(receivable)	80	(75)
	<b>4,615</b>	<b>1,463</b>
<b>Total payables</b>	<b>117,298</b>	<b>115,552</b>
<b>Represented by</b>		
Current payables	117,298	115,552
<b>Related party payables (included in Trade payables – unsecured):<sup>(a)</sup></b>		
DoT	17	–
Other related parties	1,647	1,932

(a) Refer Note 8.7 Related parties.

Contractual payables consist of trade payables, amounts payable to government and agencies, unearned income from tickets sold relating to trips that will be taken after the reporting date, and deferred income. Trade payables represent liabilities for goods and services provided to V/Line prior to the end of the financial year that are unpaid. They are classified as financial instruments and are measured at amortised cost.

Statutory payables consist of GST payable, FBT payable and payroll-related payables. They are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

The average credit period for related party payables is 30 days. No interest is charged on outstanding payables. Terms and conditions of amounts payable to other Government agencies will vary according to each particular agreement.

### Maturity analysis of contractual payables<sup>(a)</sup>

	Carrying amount \$'000	Maturity Dates				
		Less than 1 month \$'000	1-3 months \$'000	3 months – 1 year \$'000	1-5 years \$'000	Over 5 years \$'000
<b>2022</b>						
<b>Payables:</b>						
Trade payables	45,578	43,842	980	756	–	–
Superannuation	4,178	–	4,178	–	–	–
Accruals	49,964	–	49,964	–	–	–
Other payables	10,571	10,571	–	–	–	–
<b>Total</b>	<b>110,291</b>	<b>54,413</b>	<b>55,122</b>	<b>756</b>	<b>–</b>	<b>–</b>
<b>2021</b>						
<b>Payables:</b>						
Trade payables	62,864	61,655	1,064	145	–	–
Superannuation	2,802	–	2,802	–	–	–
Accruals	33,736	–	33,736	–	–	–
Other payables	8,705	8,705	–	–	–	–
<b>Total</b>	<b>108,107</b>	<b>70,360</b>	<b>37,602</b>	<b>145</b>	<b>–</b>	<b>–</b>

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

### 5.4 Inventories

	2022 \$'000	2021 \$'000
Current inventories:		
Spares and materials at cost	37,338	27,275

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

V/Line has a contract with a supplier for the supply of various spare parts for rolling stock

maintenance which are to be made available upon request. This practice is considered by industry to be best practice as it has the lowest storage costs. These spare parts are valued using the weighted average cost formula. Stock of fuel is also measured using the weighted average cost formula.

## 5.5 Taxes

2022 2021

\$'000 \$'000

**Provision for income tax**

Current tax liability	8,453	5,948
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**Deferred tax balances**

The balance comprises temporary differences attributable to:

Accruals	–	109
Employee entitlements	34,235	32,363
Other provisions	1,417	952
Cash flow hedge reserve	58	36
Derecognition of deferred tax asset	(8,469)	(5,232)
<b>Total deferred tax assets</b>	<b>27,241</b>	<b>28,228</b>

**Deferred tax liability**

The balance comprises temporary differences attributable to:

Accelerated depreciation for taxation purposes	22,562	26,363
Cash flow hedge reserve	4,679	1,865
<b>Total deferred tax liability</b>	<b>27,241</b>	<b>28,228</b>

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

– –

**Movement in deferred tax asset/(liability)**

Opening balance	–	–
Charged to equity	(2,792)	(3,708)
Current year deferred tax expense	6,119	3,318
(De)recognition of deferred tax asset	(3,327)	390
<b>Aggregate deferred tax asset/(liability)</b>	<b>–</b>	<b>–</b>

**Amount charged directly to equity**

Cash flow hedge reserves	(2,792)	(3,708)
<b>Total amount charged to equity</b>	<b>(2,792)</b>	<b>(3,708)</b>

By direction of the Treasurer of Victoria, V/Line entered into the National Tax Equivalent Regime (NTER) on 10 June 2004. Any NTER expense payable is calculated on operating profit or loss adjusted for temporary differences between NTER income and accounting income.

### Current Tax

Current tax is calculated by reference to the amount of income taxes payable or receivable in respect of the taxable profit or tax loss for the period. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting period. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

### Deferred Tax

Deferred tax is calculated in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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 Comprehensive operating statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised based on the likely timing and level of future taxable profits. The carrying amount of deferred tax assets are reassessed at the end of each reporting period. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and V/Line intends to settle current tax assets and liabilities on a net basis.

## 5.6 Other non-financial assets

	2022	2021
	\$'000	\$'000
<b>Current other non-financial assets</b>		
Prepayments	2,996	6,437
<b>Total other non-financial assets</b>	<b>2,996</b>	<b>6,437</b>
<b>Represented by:</b>		
Current non-financial assets	2,996	6,437

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

5.7 Other financial assets	2022	2021
	\$'000	\$'000
<b>Current other financial assets</b>		
Fuel hedge derivatives	15,598	6,217
Foreign currency hedge derivatives	(194)	(120)
<b>Total other financial assets</b>	<b>15,404</b>	<b>6,097</b>
<b>Represented by:</b>		
Current other financial assets	<b>15,404</b>	<b>6,097</b>

To reduce cash flow volatility and to provide increased certainty over its commodity and foreign currency risk exposures, V/Line has entered into diesel fuel and foreign currency hedges with Treasury Corporation of Victoria (TCV). The amounts recognised in Other financial assets represent the fair values of the respective hedge derivatives as at 30 June 2022.

## 6. Financing our operations

### Introduction

This section provides information on the sources of finance utilised by V/Line for its operations, along with interest expenses and other information related to financing activities of V/Line.

This section includes disclosures of balances that are financial instruments (such as lease liabilities and cash balances). Notes 7.1 and 7.3 provide additional specific financial instrument disclosures.

### Structure

- 6.1 Cash flow information and balances
- 6.2 Lease liabilities
- 6.3 Commitments for expenditure

#### 6.1 Cash flow information and balances

	2022	2021
	\$'000	\$'000
Cash at bank	77,886	47,870
Cash on hand	145	162
<b>Total cash and cash equivalents as per Balance sheet and Cash flow statement</b>	<b>78,031</b>	<b>48,032</b>

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

At 30 June 2022, cash at bank included an amount of \$2,886,071 (2021: Nil) held in escrow on behalf of DoT under arrangements in line with the Service Level Agreement.

<b>6.1.1 Reconciliation of Net result for the period to cash flow from operating activities</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net result for the period</b>	<b>2,119</b>	<b>20,512</b>
<b>Non-cash movements</b>		
Depreciation and amortisation of non-current assets	29,222	25,395
Writedown of non-current assets	6,725	–
Tax expense	5,661	2,240
<b>Movements in assets and liabilities</b>		
Decrease/(increase) in trade and other receivables	38,350	(25,055)
(Increase)/decrease in contract assets	(22,688)	5,337
Increase in inventories	(10,063)	(2,902)
Decrease/(increase) in prepayments	3,441	(659)
Increase in trade and other payables	1,746	19,898
Increase in employee-related provisions	5,278	8,070
<b>Cash generated from operating activities</b>	<b>59,791</b>	<b>52,836</b>
Income taxes paid	(5,948)	–
<b>Net cash flows generated from operating activities</b>	<b>53,843</b>	<b>52,836</b>

## 6.2 Lease liabilities

Current lease liabilities <sup>(a)</sup>	12,498	10,502
Non-current lease liabilities <sup>(a)</sup>	56,861	58,006
<b>Total lease liabilities</b>	<b>69,359</b>	<b>68,508</b>

(a) Secured by the assets leased. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

V/Line's lease liabilities consist of the following:

- (i) lease of office premises, with lease terms ranging from three to 10 years
- (ii) lease of motor vehicles and plant and equipment, with lease terms ranging from three to eight years.

V/Line has elected to account for short-term leases and leases of low-value assets using the practical expedients under AASB 16 *Leases*. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

For all lease contracts entered into V/Line considers whether the contract is, or contains, a lease. An assessment is made on whether the contract conveys the right to control the use of an identified asset by assessing whether V/Line has both the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- the right to direct the use of the identified asset throughout the period of use.

Where all the conditions above are met, V/Line recognises a right-of-use asset and a corresponding lease liability. V/Line accounts for lease components within the contract separately from non-lease components, which are excluded when determining the lease liability and right-of-use asset.

The right-of-use assets are presented in Property, plant and equipment in Note 4.1.

Lease liabilities are classified as financial instruments and are stated at amortised cost. At initial recognition, lease liabilities are measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease if the rate is determinable or V/Line's incremental borrowing rate. Lease payments included in the measurement of the lease liability consist of:

- fixed payments (including in-substance payments) less any incentive receivable

- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- payments arising from purchase and termination options reasonably certain to be exercised.

Subsequent to initial recognition, the lease liability will be reduced for payments made and increased for interest charged. The lease liability is remeasured to reflect any reassessment or modification, or when there are changes to the in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or to the Comprehensive operating statement if the right-of-use asset is already reduced to zero.

#### Maturity analysis of lease liabilities<sup>(a)</sup>

Carrying amount	Nominal amount	Maturity Dates				
		Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

## 2022

Lease liabilities	69,359	77,064	1,244	2,481	10,885	42,811	19,643
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## 2021

Lease liabilities	68,508	76,157	1,054	2,099	9,217	39,032	24,755
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(a) Maturity analysis is presented using the contractual undiscounted cash flows.

**Amounts recognised in the Comprehensive operating statement**

The following amounts are recognised in the Comprehensive operating statement relating to leases:

	2022	2021
	\$'000	\$'000
Interest expense on lease liabilities	2,203	1,923
Expenses relating to short term leases	2,137	2,145
Expenses relating to leases of low value assets	149	341
<b>Total amount recognised in the Comprehensive operating statement</b>	<b>4,489</b>	<b>4,409</b>

Interest expense represents the interest component on lease repayments. Interest expense is recognised in the period in which it is incurred.

**Amounts recognised in the Statement of cash flows**

The following amounts relating to leases are recognised in the Statement of cash flows during the financial year:

	2022	2021
	\$'000	\$'000
Total cash outflow for leases	13,872	11,699

### 6.3 Commitments for expenditure

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

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

	Less than 1 year	1-5 years	Over 5 years	Total
Nominal values	\$'000	\$'000	\$'000	\$'000
<b>2022</b>				
Capital expenditure commitments	5,002	–	–	5,002
Coach contract commitments	51,538	219,890	308,981	580,409
Fleet maintenance commitments	182,747	–	–	182,747
Other commitments payable	18,560	27,375	–	45,935
Total commitments (inclusive of GST)	257,847	247,265	308,981	814,093
Less: GST recoverable	(23,441)	(22,479)	(28,089)	(74,009)
Total commitments (exclusive of GST)	234,406	224,786	280,892	740,084

<b>2021</b>				
Capital expenditure commitments	1,210	–	–	1,210
Coach contract commitments <sup>(i)</sup>	47,006	–	–	47,006
Fleet maintenance commitments <sup>(i)</sup>	188,439	182,747	–	371,186
Other commitments payable	23,297	38,045	–	61,342
Total commitments (inclusive of GST)	259,952	220,792	–	480,744
Less: GST recoverable	(23,632)	(20,072)	–	(43,704)
Total commitments (exclusive of GST)	236,320	200,720	–	437,040

(i) The 2021 commitments have been restated to include Coach contract commitments and Fleet maintenance commitments.

Coach contract commitments are commitments under contracts which various coach operators have with DoT effective from 1 July 2022, where all the rights and obligations under the respective contracts have been assigned to V/Line under the Service Level Agreement with DoT. Fleet maintenance contracts are for fleet maintenance services, and expire on 30 June 2023. Other commitments payable include commitments for information technology services and outsourcing of services.

# 7. Risks, contingencies and valuation judgements

## Introduction

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

### 7.1 Financial instruments specific disclosures

#### Introduction

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

V/Line classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms.

## Structure

- 7.1 Financial instruments specific disclosures
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair value determination

#### Categories of financial assets

##### **Financial assets at amortised cost**

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

- the assets are held by V/Line to collect the contractual cash flows
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

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

V/Line recognises the following assets in this category:

- cash and cash equivalents
- receivables (excluding statutory receivables).

**Financial assets at fair value through Net result**

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

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

V/Line classifies its derivative financial instruments as at fair value through Net result.

**Categories of financial liabilities****Financial liabilities at amortised cost**

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

V/Line recognises its contractual payables, deposits held, advances received and lease liabilities in this category.

**Derivative financial instruments**

Derivative financial instruments are classified as financial assets and liabilities at fair value through Net result. They are initially recognised at fair value on the date on which a derivative contract is entered into, with attributable transaction costs expensed as incurred. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Subsequently, any changes in the fair value are recognised in the Comprehensive operating statement as 'Other economic flows' included in the Net result.

In line with its documented risk management strategy, V/Line designates its derivative financial instruments as cash flow hedges and applies hedge accounting to these transactions (refer to Note 7.1.3 – Hedge accounting).

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount presented in the Balance sheet when, and only when, V/Line has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

### Derecognition of financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- V/Line retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- V/Line has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where V/Line has neither transferred nor retained substantially all the risks and rewards or has transferred control, the asset is recognised to the extent of V/Line's continuing involvement in the asset.

### Derecognition of financial liabilities

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

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

### Reclassification of financial instruments

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

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

**7.1.1 Financial instruments: categorisation**

	Cash and deposits	Financial assets at amortised cost (AC)	Financial assets/liabilities measured at fair value through profit/loss (FVTPL)	Financial liabilities at amortised cost (AC)
	\$'000	\$'000	\$'000	\$'000

**2022****Financial assets**

Cash and cash equivalents	78,031	–	–	–
Trade and other receivables (a)	–	25,563	–	–
Hedge derivatives	–	–	15,404	–
<b>Total financial assets</b>	<b>78,031</b>	<b>25,563</b>	<b>15,404</b>	<b>–</b>

**Financial liabilities**

Trade and other payables	–	–	–	110,291
Lease liabilities	–	–	–	69,359
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>179,650</b>

**2021****Financial assets**

Cash and cash equivalents	48,032	–	–	–
Trade and other receivables	–	63,192	–	–
Hedge derivatives	–	–	6,097	–
<b>Total financial assets</b>	<b>48,032</b>	<b>63,192</b>	<b>6,097</b>	<b>–</b>

**Financial liabilities**

Trade and other payables	–	–	–	108,107
Lease liabilities	–	–	–	68,508
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>176,615</b>

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

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

	Interest income/ (expense)	Net holding gain/(loss)	Impairment loss	Total
	\$'000	\$'000	\$'000	\$'000
<b>2022</b>				
<b>Contractual financial assets</b>				
Financial assets at amortised cost – other than on derecognition	222	–	(257)	(35)
Hedge derivatives	–	20,078	–	20,078
<b>Total contractual financial assets</b>	222	20,078	(257)	20,043
<b>Contractual financial liabilities</b>				
Financial liabilities at amortised cost	(2,203)	–	–	(2,203)
<b>Total contractual financial liabilities</b>	(2,203)	–	–	(2,203)

## 2021

<b>Contractual financial assets</b>				
Financial assets at amortised cost – other than on derecognition	89	–	(369)	(280)
Hedge derivatives	–	(4,558)	–	(4,558)
<b>Total contractual financial assets</b>	89	(4,558)	(369)	(4,838)
<b>Contractual financial liabilities</b>				
Financial liabilities at amortised cost	(1,923)	–	–	(1,923)
<b>Total contractual financial liabilities</b>	(1,923)	–	–	(1,923)

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

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

### **7.1.3 Financial risk management objectives and policies**

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

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

The main purpose in holding financial instruments is to prudently manage V/Line's financial risks within the Victorian Government policy parameters.

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

V/Line uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with management and the Audit and Risk Committee of V/Line.

#### **Credit risk**

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

Credit risk associated with V/Line's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than government, it is V/Line's policy to deal with entities with good credit history.

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

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

Provision for impairment for contractual financial assets is recognised when there is objective evidence that V/Line will not be able to collect a receivable. Such objective evidence includes financial difficulties of the debtor, default payments and debts that are more than 90 days overdue.

Contractual financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off is classified as other economic flows included in the Net result.

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

The observed changes in credit risk ratings of counterparties in 2021-22 has not resulted in a material change to V/Line's assessment of credit risk.

Credit quality of financial assets	AA Credit Rating	Other (min BBB credit rating)	Other (unrated)	Total
	\$'000	\$'000	\$'000	\$'000

## 2022

### Financial assets with loss allowance measured at 12-month expected credit loss

Cash and cash equivalents	–	78,031	–	78,031
Statutory receivables (no impairment loss recognised)	798	–	–	798
Hedge derivatives	15,404 <sup>(a)</sup>	–	–	15,404

### Financial assets with loss allowance measured at lifetime expected credit loss

Contractual receivables (applying the simplified approach for impairment)	15,451 <sup>(a)</sup>	–	10,112	25,563
<b>Total financial assets</b>	<b>31,653</b>	<b>78,031</b>	<b>10,112</b>	<b>119,796</b>

## 2021

### Financial assets with loss allowance measured at 12-month expected credit loss

Cash and cash equivalents	–	48,032	–	48,032
Statutory receivables (no impairment loss recognised)	1,521	–	–	1,521
Hedge derivatives	6,097 <sup>(a)</sup>	–	–	6,097

### Financial assets with loss allowance measured at lifetime expected credit loss

Contractual receivables (applying the simplified approach for impairment)	46,798 <sup>(a)</sup>	–	16,394	63,192
<b>Total financial assets</b>	<b>54,416</b>	<b>48,032</b>	<b>16,394</b>	<b>118,842</b>

(a) Denotes balances with the State Government of Victoria and its associated entities, which is subject to the long term credit ratings.

### Impairment of financial assets

V/Line records the allowance for expected credit loss for the relevant financial instruments using the Expected credit loss approach. Subject to AASB 9, impairment assessment includes V/Line's cash and cash equivalents, contractual receivables and statutory receivables. Financial assets measured at fair value through Net result are not subject to impairment assessment under AASB 9. Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 5.2) are also subject to impairment assessment. No impairment loss was required as these amounts relate to current project activity with government-related entities which are yet to be invoiced.

### Contractual receivables at amortised cost

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

	Less than 1 month	1-3 months	> 3 months	Total
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## 2022

### Government-related contractual receivables

	Current	Less than 1 month	1-3 months	> 3 months	Total
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables (\$'000)	9,400	3,760	172	2,119	15,451
Loss allowance (\$'000)	–	–	–	–	–

### Other contractual receivables

	Current	Less than 1 month	1-3 months	> 3 months	Total
Expected loss rate	0.0%	0.0%	0.0%	99.8%	
Gross carrying amount of contractual receivables (\$'000)	8,930	1,014	167	779	10,890
Loss allowance (\$'000)	–	–	–	778	778

## 2021

### Government-related contractual receivables

	Current	Less than 1 month	1-3 months	> 3 months	Total
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables (\$'000)	45,197	19	88	1,494	46,798
Loss allowance (\$'000)	–	–	–	–	–

### Other contractual receivables

	Current	Less than 1 month	1-3 months	> 3 months	Total
Expected loss rate	0.0%	42.3%	0.0%	100.0%	
Gross carrying amount of contractual receivables (\$'000)	15,785	946	63	121	16,915
Loss allowance (\$'000)	–	400	–	121	521

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

	2022	2021
	\$'000	\$'000
<b>Balance at the beginning of the year</b>	(521)	(177)
Increase in the allowance recognised in the Net result	(257)	(369)
Reversal of allowance for receivables written off during the year as uncollectible	–	25
<b>Balance at the end of the year</b>	<b>(778)</b>	<b>(521)</b>

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

#### **Cash and cash equivalents and statutory receivables at amortised cost**

V/Line's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Statutory receivables and cash and cash equivalents, consisting of bank deposits placed at call, are considered to have low credit risk, after taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As a result, the loss allowance recognised for these financial assets during the period is based on 12 months of expected losses. Consequently, it was assessed that no loss allowance was required.

#### **Derivatives at fair value through Net result**

V/Line is also exposed to credit risk in relation to hedging derivatives that are designated at fair value through Net result. In line with AASB 9, V/Line does not apply the impairment assessment requirements on these financial assets. As at 30 June 2022, all V/Line's hedging derivatives are held with TCV, which is the central financing authority of the Victorian State Government. Therefore they were assessed to be of low credit risk and no loss allowance was required.

#### **Liquidity risk**

Liquidity risk arises from being unable to meet financial obligations as they fall due. V/Line operates under the government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution. V/Line is exposed to liquidity risk mainly through its contractual financial liabilities and lease liabilities. V/Line manages liquidity risk by closely monitoring forecast cash flows to ensure that adequate funding is maintained at all times.

DoT has agreed to provide adequate cash flow support via a Letter of Support to enable V/Line to meet its current and future operational obligations as and when they fall due for a period up to September 2023, should this be required. This assurance from DoT for financial support only applies while V/Line remains in full State ownership.

Refer to Note 5.3 for the maturity analysis of contractual financial liabilities and Note 6.2 for the maturity analysis of lease liabilities. These represent V/Line's maximum exposure to liquidity risk.

#### **Market risk**

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

#### **Sensitivity disclosure analysis and assumptions**

The 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:

**Cash and cash equivalents:** the movement of 100 basis points up and down (2021: 100 basis points up and down) in market interest rates, would result in the Net result increasing/(decreasing) by \$780,310/(\$780,310) (2021: \$480,320/(\$480,320)).

**Diesel fuel hedges:** the movement of 10 per cent up and down in Gasoil 10PPM AUD per barrel would result in no change to the Net result as the diesel fuel hedges will still be considered effective. Other financial assets (representing the fair value of the fuel hedge derivatives) and the cash flow hedge reserve will increase/(decrease) by \$4,798,032/(\$4,798,032) (2021: \$2,649,581/(\$2,649,581)).

**Foreign currency hedges:** the movement of 15 per cent up and down in the AUD/EUR or AUD/GBP exchange rates would result in no change in the Net result as the foreign currency hedges will still be considered effective. Other financial liabilities (representing the fair value of the foreign exchange hedge derivatives) and the cash flow hedge reserve will be affected as follows:

- a proportional movement in the AUD/EUR forward mid-rate of 15 per cent up and down from the rates at year end would result in an (decrease)/increase in other financial assets of (\$841,938)/\$1,139,100 (2021: (\$171,512)/\$232,043)
- a proportional movement in the AUD/GBP forward mid-rate of 15 per cent up and down from the rates at year end would result in a (decrease)/increase in other financial assets of (\$408,814)/\$553,104 (2021: Nil).

#### **Interest rate risk**

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. V/Line 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. V/Line has minimal exposure to cash flow interest rate risks through its cash and cash equivalents which are held at floating rate.

Management has concluded for cash at bank as financial assets that can be left at floating rate without necessarily exposing V/Line to significant risk. Accordingly, management monitors movements in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rate risk and V/Line's sensitivity to interest rate risk are as follows:

	Weighted average interest rate	Carrying amount \$'000	Interest rate exposure		
			Fixed interest rate \$'000	Floating interest rate \$'000	Non-interest bearing \$'000

## 2022

### Financial assets

Cash and cash equivalents	0.28%	78,031	–	78,031	–
Contractual trade and other receivables	n/a	25,563	–	–	25,563
Hedge derivatives	n/a	15,404	–	–	15,404
<b>Total financial assets</b>		<b>118,998</b>	<b>–</b>	<b>78,031</b>	<b>40,967</b>

### Financial liabilities

Contractual trade and other payables	n/a	110,291	–	–	110,291
Lease liabilities	3.43%	69,359	69,359	–	–
<b>Total financial liabilities</b>		<b>179,650</b>	<b>69,359</b>	<b>–</b>	<b>110,291</b>

## 2021

### Financial assets

Cash and cash equivalents	0.15%	48,032	–	48,032	–
Contractual trade and other receivables	n/a	63,192	–	–	63,192
Hedge derivatives	n/a	6,097	–	–	6,097
<b>Total financial assets</b>		<b>117,321</b>	<b>–</b>	<b>48,032</b>	<b>69,289</b>

### Financial liabilities

Contractual trade and other payables	n/a	108,107	–	–	108,107
Lease liabilities	2.98%	68,508	68,508	–	–
<b>Total financial liabilities</b>		<b>176,615</b>	<b>68,508</b>	<b>–</b>	<b>108,107</b>

### Commodity risk

Commodity risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices for commodities, largely due to demand and supply factors.

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

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

As at 30 June 2022, V/Line has monthly diesel fuel hedges maturing until May 2023. The cash flow impact will be incurred in the month that the hedges mature. At the end of the reporting period, the details of outstanding diesel hedging contracts are as follows:

	Average fixed diesel fuel price cents per litre  \$'000	Nominal Quantity  '000 litres	Notional Principal  \$'000	Carrying Amount – Fair Value  \$'000
<b>2022</b>				
Less than 1 year	79.9	41,124	32,858	15,598
<b>2021</b>				
Less than 1 year	50.2	40,450	20,285	6,217

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. V/Line does not hold any foreign currency monetary items nor is it exposed to transactions denominated in foreign currencies. However, V/Line is indirectly exposed to foreign currency risk through its fleet maintenance program, which includes a foreign currency adjustment component for movements in the AUD/EUR and AUD/GBP exchange rates (2021: AUD/USD and AUD/EUR).

In order to manage this risk, V/Line has entered into a series of foreign currency forward

contracts with TCV in order to hedge its forecasted exposure to foreign currency risk arising from its fleet maintenance program. The hedges are classified as effective when an economic relationship exists between the foreign currency forward contracts (hedging instrument) and the foreign currency risk inherent in the fleet maintenance program as a result of fluctuations in the AUD/EUR and AUD/GBP exchange rates (2021: AUD/USD and AUD/EUR) (risk being hedged). Sources of hedge ineffectiveness include mismatches in the forecasted maintenance costs against actual outcomes and basis differences in foreign exchange rates.

As at 30 June 2022, V/Line has foreign currency forward contracts expiring until June 2023. The cash flow impact will be incurred in the month that the hedges mature. At the end of the reporting period, the details of outstanding forward contracts are as follows:

	Weighted average exchange rate	Notional Principal <b>\$'000</b>	Carrying Amount – Fair Value <b>\$'000</b>
<b>2022</b>			
<b>Contracts denominated in EUR</b>			
Less than 1 year	0.6407	6,546	(91)
<b>Contracts denominated in GBP</b>			
Less than 1 year	0.5465	3,239	(103)
		9,785	(194)
<b>2021</b>			
<b>Contracts denominated in USD</b>			
Less than 1 year	0.7234	1,797	(69)
<b>Contracts denominated in EUR</b>			
Less than 1 year	0.6077	1,366	(51)
		3,163	(120)

V/Line is also exposed to the AUD/USD exchange rate fluctuations through its exposure to diesel fuel. The foreign currency risk on the diesel fuel purchases is mitigated through the diesel fuel hedges.

#### **Hedge Accounting**

V/Line uses diesel swap contracts and foreign currency forward contracts as cash flow hedges of its exposure to commodity risk and foreign currency risk respectively.

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

Where a hedge is effective, changes in the fair value of the derivative hedge contracts are initially recognised in the Cash flow hedge reserve in equity, with the ineffective portion of the change in fair value (if any) recognised directly in the Net result. In the period when the hedged expected future cash flow occurs and affects the Net result, V/Line reclassifies the cumulative amount in the Cash flow hedge reserve for the related hedge contract to Other economic flows included in the Net result. Where a hedging relationship ceases to meet the hedge effectiveness requirement relating to its pre-determined hedge ratio, but the

risk management objective remains the same, V/Line rebalances the hedge ratio of the hedging relationship and continues with the hedge. Hedge accounting is discontinued only when the hedging relationship ceases to meet the hedge qualifying criteria, even after rebalancing, such as when the hedging contract is terminated.

The carrying amount (fair value) of the hedging contracts are recognised in the Balance sheet in Other financial assets when the value is positive and Other financial liabilities when the value is negative.

#### Reconciliation of Cash flow hedge reserve

	Diesel swap hedge contracts	Foreign currency forward hedge contracts	Total
	\$'000	\$'000	\$'000
2022			
Opening balance	4,352	(84)	4,268
Revaluations to fair value, net of tax	20,790	(221)	20,569
(Gain)/Loss on settlement of hedge transferred to Net result – Other economic flows	(14,223)	168	(14,055)
<b>Closing balance, net of tax</b>	<b>10,919</b>	<b>(137)</b>	<b>10,782</b>

#### 2021

Opening balance	(4,358)	(26)	(4,384)
Revaluations to fair value, net of tax	4,654	(560)	4,094
(Gain)/Loss on settlement of hedge transferred to Net result – Other economic flows	4,056	502	4,558
<b>Closing balance, net of tax</b>	<b>4,352</b>	<b>(84)</b>	<b>4,268</b>

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

V/Line did not reclassify any amount from the Cash flow hedge reserve in equity to the Net result during the period due to its hedges being ineffective. There were no cash flow hedges that were rebalanced or discontinued during the period.

## 7.2 Contingent assets and contingent liabilities

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

### Contingent assets

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

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

As at 30 June 2022, V/Line had no material contingent assets.

### Contingent liabilities

Contingent liabilities are:

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

As at 30 June 2022, all contingent liabilities are classified as non-quantifiable.

There have been minor claims made over time by customers and third parties arising out of incidents on V/Line's network. These claims are dealt with in the ordinary course of business and potential claims of above \$50,000 are referred to V/Line's insurers as the matters arise. V/Line's liability is limited to the insurance deductible amount.

V/Line's operations are subject to various environmental regulations under both Commonwealth and State laws. V/Line takes active steps to improve environmental management systems and ongoing internal procedures, to help discharge obligations under these laws. In 2021-22, V/Line investigated all potential environmental incidents associated with V/Line's activities and where necessary worked with State and Federal environmental regulators to come to a resolution.

V/Line continues to deliver a Transition Action Plan to ensure ongoing compliance with the new Environment Protection Act and does not have any current Clean Up Notices or Pollution Abatement Notices issued by the Environment Protection Authority.

V/Line has obtained a new three year Calculated Baseline under the Safeguard Mechanism but will still be required to offset all Scope 1 emissions above 140,686 tonnes, reported under the National Greenhouse and Energy Reporting (NGER) Act. V/Line are not currently tracking to exceed this baseline.

### 7.3 Fair value determination

#### **Significant judgement: Fair value measurements of assets and liabilities**

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

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

The following assets and liabilities are carried at fair value:

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

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

V/Line determines the policies and procedures for determining the fair values for both financial and non-financial assets and liabilities as required.

#### **Fair value hierarchy**

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

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

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

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

#### **7.3.1 Fair value determination of financial assets and liabilities**

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

- Level 1 – the fair value of financial instruments 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 prices 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.

**Financial assets and liabilities measured at amortised cost**

The carrying amounts of the following financial assets and financial liabilities approximate their fair values due to their short-term nature or with the expectation that they will be paid in full by the end of the next reporting period:

**Financial assets**

Cash and cash equivalents  
Trade and other receivables

**Financial liabilities**

Trade and other payables

The fair value of the following financial liabilities measured at amortised cost are different from the carrying amounts:

	2022		2021	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial liabilities</b>				
Lease liabilities	69,359	65,679	68,508	69,623

**Financial assets and liabilities measured at fair value**

Carrying amount \$'000	Fair value measurement		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000

**2022****Financial assets at fair value through Net result**

Hedge derivatives	15,404	–	15,404	–
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**2021****Financial assets at fair value through Net result**

Hedge derivatives	6,097	–	6,097	–
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There were no transfers between levels during the year. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale.

### Valuation techniques and inputs used to measure Level 2 fair values

	Valuation technique	Inputs used
Diesel fuel swap contracts	Income approach using discounted cash flow methodology	Forward curves for diesel prices and AUD/USD exchange rates
Foreign exchange forward contracts	Income approach using discounted cash flow methodology	Forward Foreign currency points for AUD/EUR and AUD/GBP exchange rates

### 7.3.2 Fair value determination of non-financial physical assets

#### Fair value measurement hierarchy

	Carrying amount \$'000	Fair value measurement		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>2022</b>				
Rolling stock at fair value	78,527	–	–	78,527
Rolling stock – capitalised improvements at fair value	7,557	–	–	7,557
Plant and equipment at fair value	38,419	–	–	38,419
Leasehold improvements at fair value	3,935	–	–	3,935
Buildings	36,631	–	–	36,631
<b>2021</b>				
Rolling stock at fair value	93,207	–	–	93,207
Rolling stock – capitalised improvements at fair value	6,169	–	–	6,169
Plant and equipment at fair value	34,233	–	–	34,233
Leasehold improvements at fair value	4,044	–	–	4,044
Buildings	43,045	–	–	43,045

There have been no transfers between levels during the period.

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

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

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

of the assets concerned. For plant and equipment right-of-use assets acquired via leases, the depreciated cost of the assets approximate the current replacement cost after taking into consideration the assets' residual values at the end of the lease term after adjusting for wear and tear.

For buildings right-of-use assets acquired via leases, depreciated cost approximated fair value using the market approach based on an appropriate rate per square metre.

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

There were no changes in valuation techniques throughout the period to 30 June 2022.

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

### Description of significant unobservable inputs to Level 3 valuations

2022 and 2021	Valuation technique	Significant unobservable inputs
Rolling stock	Current replacement cost	Cost per unit Useful life of rolling stock
Rolling stock – capitalised improvements	Current replacement cost	Cost per improvement Useful life of capitalised improvement
Plant and equipment	Current replacement cost	Cost per unit Useful life of plant and equipment
Leasehold improvements	Current replacement cost	Cost of improvement Shorter of the remaining term of the lease or the useful life of the improvement

Significant unobservable inputs have remained unchanged since June 2021.

## 8. Other disclosures

### Introduction

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

### Structure

- 8.1 Not-for-profit
- 8.2 Going concern
- 8.3 Accounting for the GST
- 8.4 Equity
- 8.5 Responsible persons
- 8.6 Remuneration of executives
- 8.7 Related parties
- 8.8 Remuneration of auditors
- 8.9 Subsequent events
- 8.10 Australian Accounting Standards issued that are not yet effective

### 8.1 Not-for-profit

V/Line qualifies as a not-for-profit entity since the primary obligation of V/Line is the delivery of subsidised public transportation services to regional Victoria, which is consistent with FRD 108 *Classification of entities as for-profit*. V/Line is party to a Service Level Agreement with Transport for Victoria, the statutory office of DoT, which determines the services that V/Line provides, and the subsidy payments received for those services. Hence, V/Line's funding level is based on covering its operating and capital costs, and generally results in a small profit or loss before interest, depreciation and tax, mainly due to timing differences between when funding is received and when the related costs are incurred. Neither the mission nor corporate strategies of V/Line are profit-motivated. V/Line has been deemed to have a not-for-profit status and accordingly those accounting standards applicable to not-for-profit entities have been applied.

### 8.2 Going concern

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

Each year V/Line undertakes normal budget processes that form part of the State Government of Victoria's forward budget estimates. Allocations are made through the State Government of Victoria's budget to enable V/Line to meet its output obligations under the Service Level Agreement with DoT, which is in place until 30 June 2025. Once the budget allocation is approved, the final funding available to V/Line is determined for that year. Funding for the year ending 30 June 2023 has been set under an approved budget allocation.

DoT formally agrees annually to provide adequate cash flow support to enable V/Line to meet its current and future operational obligations each year as and when they fall due. This support extends to September following the budgeted year of operation to ensure continuity of funding into the next budget period. This support is formalised via a Letter of Support from DoT. This assurance from DoT for financial support only applies while V/Line remains in full State ownership.

V/Line meets regularly with DoT 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 \$37.5 million (2021: \$56.7 million) this financial report has been prepared on a going concern basis as V/Line is financially subsidised by its ultimate parent entity, the State Government of Victoria, pursuant to a Service Level Agreement with DoT.

Effective 1 July 2021, V/Line ceased to be a State business corporation under the State Owned Enterprises Act and continues as a statutory corporation under the Transport Integration Act. All employees, assets, liabilities, rights and funding arrangements remain with V/Line as a statutory corporation. Accordingly, the determinants of V/Line continuing as a going concern are unaffected by this change and this financial report has been prepared on a going concern basis.

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 V/Line not continue as a going concern.

### 8.3 Accounting for the 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 Balance sheet.

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

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

### 8.4 Equity

	2022	2021
	\$'000	\$'000
<b>Accumulated deficit</b>		
Balance at beginning of the year	(55,045)	(75,557)
Net result	2,119	20,512
<b>Balance at end of the year</b>	<b>(52,926)</b>	<b>(55,045)</b>
<b>Physical asset revaluation surplus<sup>(1)</sup></b>		
Balance at beginning of the year	130,561	130,561
Revaluation increments	–	–
<b>Balance at end of the year</b>	<b>130,561</b>	<b>130,561</b>
<b>Cash flow hedge reserve<sup>(2)</sup></b>		
Balance at beginning of the year	4,268	(4,384)
Net increase in Cash flow hedge reserve	6,514	8,652
<b>Balance at end of the year</b>	<b>10,782</b>	<b>4,268</b>

(1) The physical assets revaluation surplus arises on the revaluation of the classic fleet rolling stock, net of income tax effect.

(2) The cash flow hedge reserve arises from recording the valuation of hedge transactions net of income tax effect.

## 8.5 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the FMA, the following disclosures are made regarding responsible persons for the reporting period.

### Names

The persons who held the positions of Minister and Accountable Officers in V/Line are as follows:

Minister for Public Transport	The Hon. Ben Carroll, MP	01 July 2021 to 30 June 2022
Chief Executive Officer	Mr Matt Carrick	12 July 2021 to 30 June 2022
Acting Chief Executive Officer	Mr Paul D'Alessio	1 July 2021 to 11 July 2021

### Remuneration

Remuneration received or receivable by the Accountable Officers in connection with the management of V/Line during the reporting period was in the range of \$480,000 – \$490,000 (2021: \$630,000 – \$639,999).

Amounts relating to the Minister are reported in the State's Annual Financial Report.

### 8.6 Remuneration of executives

The number of executive officers, other than the Minister and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Executives comprised members of the Executive Leadership Team (ELT) of V/Line. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by the entity, or on behalf of

the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

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

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

Other long-term benefits include LSL, other long service benefits or deferred compensation.

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

<b>Remuneration of executive officers (including key management personnel disclosed in Note 8.7)</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	2,513,404	3,386,375
Post-employment benefits	225,059	263,090
Termination benefits	593,974	24,927
<b>Total remuneration</b>	<b>3,332,437</b>	<b>3,674,392</b>
Total number of executives <sup>(a)</sup>	<b>20</b>	<b>17</b>
Total annualised employee equivalent (AEE) <sup>(b)</sup>	<b>9.3</b>	<b>10.6</b>

(a) The total number of executive officers includes persons who meet the definition of key management personnel under AASB 124 *Related Party Disclosures* and are also reported within the related parties disclosure note (Note 8.8).

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

Remuneration of executive officers and the AEE have been impacted by a change to the ELT structure undertaken during the period, which became effective on 2 May 2022.

### 8.7 Related parties

V/Line is a Victorian statutory authority and is a controlled entity of the State of Victoria.

Related parties of V/Line include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures, and entities they have significant influence over)

- all Cabinet Ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

**Significant transactions with government-related entities**

During the year, V/Line had the following government-related entity transactions:

Related party	Nature of transaction	2022	2021
		\$'000	\$'000
<b>Expenses</b>			
Department of Transport	Call centre costs	3,344	3,491
VicTrack	Provision of communication services	17,154	16,969
Department of Environment, Land, Water and Planning	Valuation services, heritage applications and purchase of native vegetation credits	54	24
Treasury Corporation Victoria	Provision of hedge transaction services	76	50
<b>Revenue</b>			
Department of Transport	Provision of funding to V/Line	776,633	730,683
Department of Transport	myki/Ticket sales	27,866	21,393
Department of Transport	Reimbursement of project expenditure	329,133	241,909
Department of Transport	Network access charges	25	12
VicTrack	Reimbursement of project expenditure	627	1,763
VicTrack	Network access charges	177	57

Key management personnel (KMP) of V/Line include the Portfolio Minister, the Hon. Ben Carroll, MP, the Accountable Officers and members of the ELT.

There was a change to the ELT structure undertaken during the year, which became effective on 2 May 2022. The names of the members of V/Line's current ELT are:

• Chief Executive Officer	Matt Carrick	From 12 July 2021
• Executive Director (ED) Corporate Services	Lisa Williams	From 2 May 2022
• ED Safety, Sustainability & Risk	Dean Matthews	From 26 April 2022
• ED Network Development, Assets & Maintenance	Jonathan McKeown	From 26 April 2022
• ED Operations	Rochelle Reynolds	From 26 April 2022
• ED People & Integrity	Ann-Michel Greenwood	From 2 May 2022
• ED Projects	Warwick Horsley	From 26 April 2022

The names of the members of the Executive Leadership Team prior to the change in ELT structure were:

• Acting Chief Executive Officer	Paul D'Alessio	1 July 2021 – 11 July 2021
• Chief Financial Officer	Albert Giorgini	1 July 2021 – 11 February 2022
• Acting Chief Financial Officer	Scott Quirke	11 February 2022 – 1 May 2022
• Executive General Manager (EGM) Corporate Planning & Risk	Brendan Geary	1 July 2021 – 1 May 2022
• EGM Health, Safety & Environment	Dean Matthews	1 July 2021 – 25 April 2022
• Acting EGM Network Development Integration	Lisa Stolt	1 July 2021 – 18 July 2021
• EGM Network Development & Integration	Jonathan McKeown	19 July 2021 – 25 April 2022
• Acting EGM Asset Management	James Hunter	1 July 2021 – 21 November 2021
• Acting EGM Asset Management	Jonathan McKeown	22 November 2021 – 25 April 2022
• Acting EGM Operations	Jonathan McKeown	1 July 2021 – 18 July 2021
• EGM Operations	Paul D'Alessio	17 July 2021 – 12 November 2021
• Acting EGM Operations	Rochelle Reynolds	15 November 2021 – 25 April 2022
• EGM People	Elaine Seckold	1 July 2021 – 18 March 2022
• Acting EGM People	Raylene Crane	21 March 2022 – 29 April 2022
• EGM Corporate Affairs	Daniel Hoare	1 July 2021 – 17 September 2021
• Acting EGM Corporate Affairs	Shara Speight	20 September 2021 – 12 November 2021
• EGM Program & Delivery	Colin Taylor	1 July 2021 – 1 April 2022
• Acting EGM Program & Delivery	Brendan Geary	4 April 2022 – 25 April 2022
• EGM Corporate Governance	Rebecca Northeast	1 July 2021 – 1 April 2022
• Acting EGM Corporate Governance	Natasha O'Callaghan Koneska	4 April 2022 – 1 May 2022

## Remuneration of KMPs

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. His remuneration and allowances are set by the *Parliamentary Salaries, Allowances and Superannuation Act 1968* and is reported within the State's Annual Financial Report.

Compensation of KMPs	2022	2021
	\$	\$
Short-term employee benefits	2,973,004	4,125,541
Post-employment benefits	248,793	324,413
Termination benefits	593,974	83,155
	<b>3,815,771</b>	<b>4,533,109</b>

Remuneration of Key Management Personnel has been impacted by a change to the ELT structure undertaken during the period, which became effective on 2 May 2022 and the retirement of the entire Board of Directors on 30 June 2021, upon V/Line ceasing to be a State business corporation.

### Transactions and balances with KMPs and other related parties

Given the breadth and depth of State Government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public, e.g. stamp duty and other government fees and charges. Further employment of processes

within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and the Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Purchasing Board requirements.

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

8.8 Remuneration of auditors	2022	2021
	\$'000	\$'000
<b>Victorian Auditor-General's Office</b>		
Audit of the financial statements	110	98

## 8.9 Subsequent events

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

In the financial statements for the financial year ended 30 June 2020, V/Line disclosed as a subsequent event, that the Independent Broad-based Anti-corruption Commission (IBAC) had initiated an anti-corruption investigation into allegations of serious corrupt conduct in Victoria's public transport sector (Operation Esperance). The scope of the investigation included, but was not limited to, the transparency and integrity of procurement and tendering processes within the transport sector in Victoria, including the behaviour of Public Officers, and the systems and controls concerning procurements and tendering for major contracts. The IBAC investigation remains open, and a report of findings has yet to be issued. V/Line has not become aware of any outcomes from the IBAC investigation that would affect the V/Line financial report for the year ended 30 June 2022. V/Line is satisfied that the ongoing investigation does not give rise to an adjusting event, and that the V/Line Corporation financial statements present fairly the financial transactions during the year ended 30 June 2022 and financial position of the Corporation at 30 June 2022.

## 8.10 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2021-22 reporting period. These accounting standards have not been applied to V/Line's financial statements. V/Line is reviewing its existing accounting policies and assessing the potential implications of these accounting standards, which includes:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current.*

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. However the AASB has recently issued AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date* to defer the application by one year to periods beginning on or after 1 January 2023. V/Line will not early-adopt the Standard.

V/Line is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on V/Line's reporting:

- AASB 17 *Insurance Contracts*
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates*
- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- AASB 2021-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information*

AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15.*

## Disclosure Index

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

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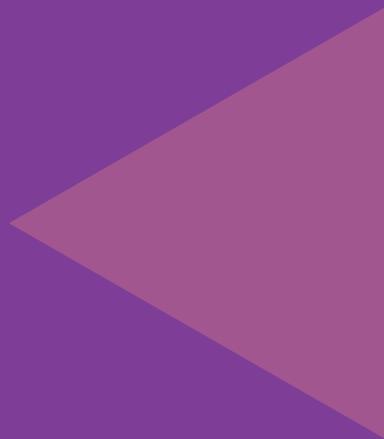
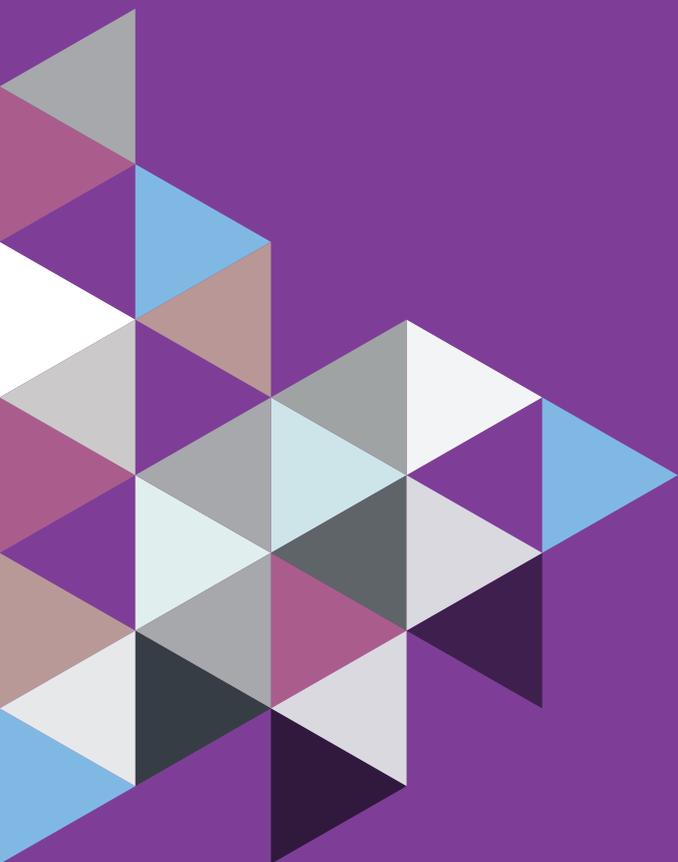
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