ANNUAL REPORT | 2013–2014

V/Line


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V/Line

Contents

About us

V/Line is Australia's largest regional public transport operator. In 2013–14 more than 14.47 million train and coach passengers trips were taken.

Every week, we schedule more than 1400 train services between Melbourne and:

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

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

V/Line is a major employer with a workforce of 1516, many of whom live in regional Victoria.

About this annual report

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

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

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

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

This report provides a summary of our key activities and financial performance for the period 1 July 2013 to 30 June 2014.

Vision

A connected and prosperous regional Victoria.

Mission

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

Values

Safety underpins everything we do

Think customer

Act with integrity

Raise the bar

Deliver as one V/Line

Strategic priorities and objectives

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

Letter to the Ministers

27 August 2014

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

and

The Hon. Michael O'Brien MP
Treasurer
Level 4, 1 Treasury Place
East Melbourne VIC 3002

Dear Ministers

I have much pleasure in presenting the Annual Report for V/Line Corporation and V/Line Pty Ltd (V/Line) for the period 1 July 2013 to 30 June 2014.

Yours faithfully

H.P. McKenzie

Hector McKenzie
Chairperson

Chairperson's report

This financial year was again marked by significant change in the governance and management of V/Line. We welcomed Amanda Derham, Deborah Spring and David Harris to the board. Our CEO Theo Taifalos developed and implemented a new management structure with the recruitment of six new Executive General Managers.

The *Your V/Line* transformation program was launched to improve the efficiency, effectiveness and customer focus of the business.

We are very proud that our service delivery result for the last quarter was the best since 2009. Overall punctuality for the quarter was 85.59 per cent and we largely put the infrastructure failures of 2012–13 behind us with improved service delivery to customers.

While further improvements are required, the July 2014 opening of the Regional Rail Link between Sunshine and the city should assist. In the coming year, V/Line trains will use dedicated tracks to enter and leave the city from the north and west, limiting interaction with the congested suburban network. Early in 2015, we will service the growing areas of Tarneit and Wyndham Vale on new tracks with additional rolling stock entering the network at the rate of approximately one carriage a month.

This year, we have put a great deal of effort into making safety top of mind for all staff, with improvements in a number of critical KPIs. We welcomed Protective Services Officers onto the regional network to enhance customer safety and peace of mind.

The myki rollout to our commuter lines was completed and received favourable responses from customers and staff.

All of these changes have been made in a year in which our call on State Government funding was reduced by $20 million. Our challenge over the next two years is to continue to build the collaborative, safety and customer-centred culture inherent in the *Your V/Line* transformation, while absorbing an overall $40 million reduction in base funding.

Crucial to successfully meeting this challenge will be a strong focus on our core function of delivering a quality public transport service. To deliver this we must maximise opportunities to grow revenue (including those presented by service improvements from the RRL and additional rolling stock) and ensure we achieve value for money in all third party contracts.

2014–15 will be a critical year in positioning V/Line to deliver tangible results in line with our vision to deliver a prosperous and connected regional Victoria.

Hector McKenzie
Chairperson

Chief Executive's report

A quick glance at the statistics tells you little about the enormous amount of work the team at V/Line has done over the past year. This report captures some of our achievements over the past year and highlights the steps being taken to reach its full potential.

In 2013–14 V/Line has transformed into a business which aims to put the customer first in every decision. There have been modest improvements in the end-of-year results, but more importantly, every staff member across V/Line has embraced this customer-centric focus in both attitude and effort.

This annual report documents my first full year as Chief Executive and I am pleased with our solid progress. With high expectations for the future, I have set the business a goal of becoming a top five per cent customer service organisation internationally by 2016. I have every confidence that V/Line can make the changes necessary to be ranked amongst the world's best customer service businesses.

Safety first

I am proud of the progress that has been made towards embedding a 'safety first' culture. All employees know that no task is important enough to jeopardise staff or customer wellbeing.

SPADs (Signals Passed At Danger) remain a safety priority for all railways across the world. V/Line has always maintained an encouragingly low rate of SPADs and in the first half of 2014 we witnessed 90 days without an incident. Trespassers on the active railway remain a concern so V/Line will join other operators nationally by becoming a member of the TrackSAFE Foundation from 1 July 2014.

Customer focused

I have been welcomed into a business that has a strong connection with its customers and the team is supporting the transformation journey to improve our customer focus, set targets and measure performance.

The seamless rollout of the myki ticketing system onto the V/Line commuter lines this year highlighted the team's commitment to making change easy for customers.

In 2013–14 a new Customer Charter was developed based on what matters most to customers: safety and security; reliability; comfort; helpfulness; and information. After its launch in August 2014, V/Line will be measuring these five aspects monthly to ensure targets are being met and improvements are being made.

In a V/Line first, a Community Reference Group was formed to address customer issues in the north east. The group, comprising seven residents from towns between Seymour and Albury, was formed to drive improvements in customer service, punctuality and reliability. Since the inaugural meeting in February many of the group's ideas have been implemented and we have also seen better performance figures thanks to improved track conditions following works by the track manager, the Australian Rail Track Corporation (ARTC).

Our customer satisfaction is heading in the right direction and I expect the improvements and programs we have begun will generate better results over the coming year.

Milestones and more

One of Australia's largest public transport infrastructure projects will enhance the experience of our customers on the Geelong, Ballarat and Bendigo lines. On completion in mid-2015, the Regional Rail Link will provide the capacity to add extra peak services and reduce delays caused by network congestion.

In December 2013 the new platforms 15 and 16 at Southern Cross Station were the first major benefits delivered to our customers by RRL.

V/Line will start taking delivery of new VLocity railcars at the end of 2014. The first of 43 railcars will progressively roll off the production line until the end of 2016. In 2015 new stations at Wyndham Vale and Tarneit will service the growing communities along the new RRL corridor to Geelong.

The RRL project has dominated our thinking for several years, but there have been many achievements across the rest of the network which will reap tremendous benefits for our customers.

During the year, trains on the Maryborough line began servicing the new Talbot Station, work began on the new stations at Waurn Ponds (Grovedale), Epsom and Caroline Springs while Geelong Station will be transformed by the $7.3 million disability access project.

Level crossings continued to be a major focus for the team with 38 crossings upgraded or renewed with asphalt and sleepers across the freight and passenger network.

Chief Executive's report

Challenges

Exceptional heat over the 2013–14 summer meant heat speed restrictions on a total of 30 days with some corridors experiencing four consecutive days of temperatures above 40 degrees. The safety precaution, while essential, has an impact on punctuality results and can be a cause of frustration for customers. As part of a customer care initiative staff handed out cold water at major stations.

Widespread bushfires damaged sections of our commuter lines forcing some of our customers on to train replacement coaches while maintenance teams worked to repair the tracks so trains could return as soon as it was safe to do so.

In response to a V/Line initiative funded by the State Government, more than 13,500 free return train trips were provided to Morwell residents needing respite from the smoky conditions during the Hazelwood open cut coal mine fire.

V/Line has committed to pursuing civil damages against graffiti vandals who wilfully damage our trains and infrastructure. This will help to recoup some of the estimated $400,000 per year in cleaning and train replacement coach costs.

Patronage and performance

Patronage figures reflect our first full year with Sunbury and Diggers Rest stations incorporated in the metropolitan network. V/Line recorded 14,474,749 rail and coach passenger trips in 2013–14, down on the previous year. The Geelong, Seymour and Gippsland lines had increases in their patronage numbers, with the Ballarat and Bendigo lines showing drops as a result of both Regional Rail Link track works and the extension of electrification to Sunbury.

V/Line exceeded its reliability target of 96 per cent on both commuter and long distance services. The punctuality of commuter line services climbed from 85.1 per cent to 87.5 per cent and long distance services rose more than 10 points from 77.1 to 87.6.

Financial performance

V/Line reported a loss of $6.9 million after income tax, a better result than the previous year's loss of $11.2 million. Our total income was $577.479 million for 2013–14. Farebox revenue increased by $5.3 million due to the full year effect of the fare increase of 6.8 per cent in January 2013 together with the fare increase of 3.1 per cent in January 2014. Freight volumes on the network reduced due to the return to normal grain harvest levels, resulting in a fall in access revenue from $6.9 million to $5.7 million.

Acknowledgments

The progress made over the past year has been delivered under a new management structure and executive leadership team. In 2013–14 V/Line completed its restructure and established an ethos of 'one team' to support the new customer service and delivery model.

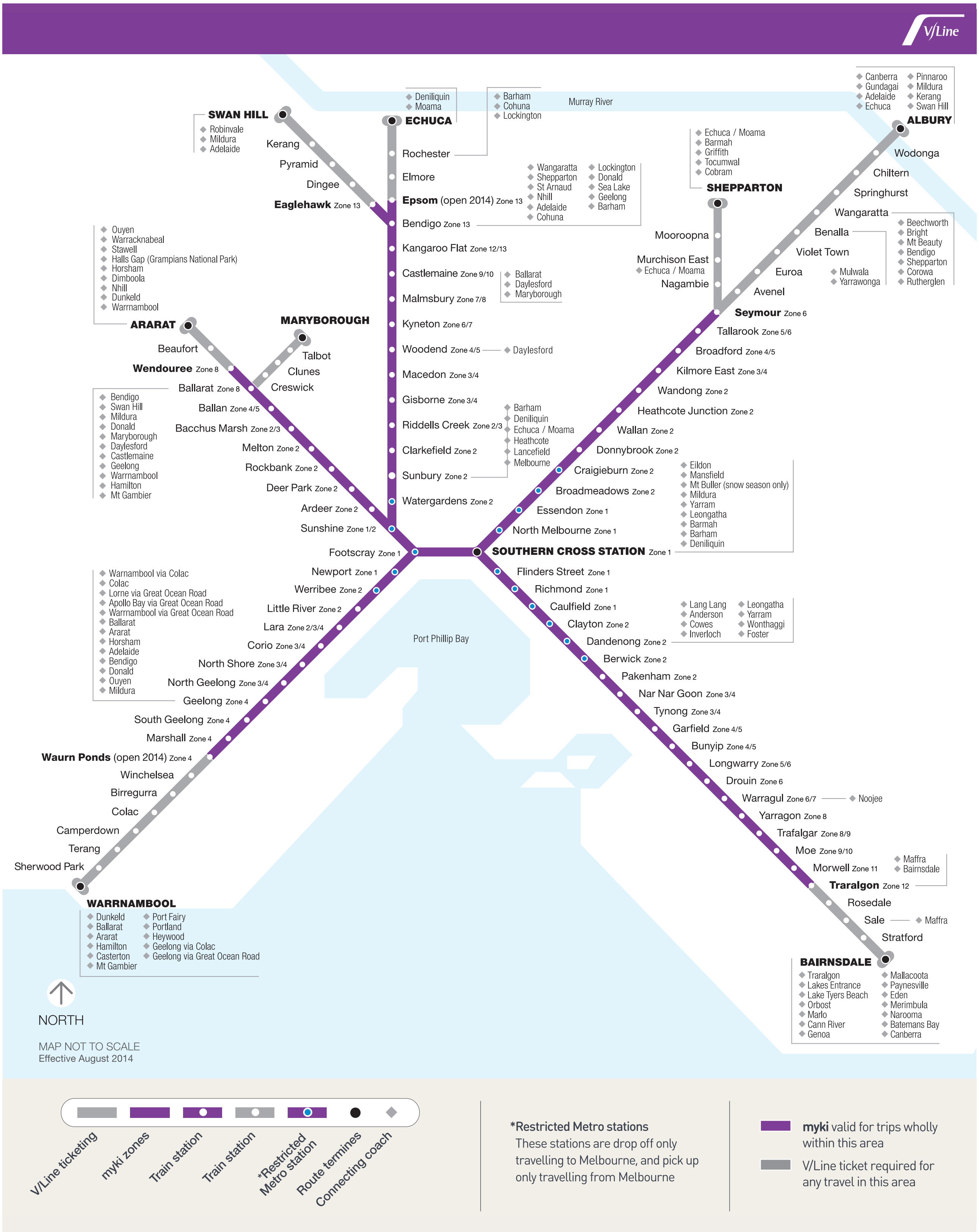
I wish to thank every member of the V/Line team for embracing the new culture to place safety and customer above all else.

I wish to acknowledge and thank the Minister for Public Transport Terry Mulder and the V/Line Board for their support in my first year. Thank you to Chairperson Hector McKenzie and the V/Line directors for their assistance with the restructure and support for change.

Finally, I wish to thank all our wonderful customers for supporting V/Line while we continue to evolve.

Theo Taifalos
Chief Executive

Passenger network map



Facts and figures

	2013–14	2012–13
Total customer trips (rail & coach)	14,474,749	14,715,601
• Rail passenger trips	13,002,311	13,230,402
• Coach passenger trips	1,472,438	1,485,199
Tickets sold	3,123,870	5,777,525
Farebox revenue	$95.155 million	$89.852 million
Farebox (% breakdown)	64% full fare	69% full fare
	36% concession	31% concession
Subsidy per passenger	$19.48	$20.25
Safety		
All of V/Line lost-time injury (LTI) rate per million hours worked (within our control)	7.7	8.3^
Customer incidents within our control per million passengers – requiring medical assistance	0.31	0.30
Signals passed at danger (SPADs per million km) – human factor	1.97	3.21#
Fleet		
VLocity carriages	134	134
Locomotives	41	41
Loco-hauled carriages	133	133
Sprinters (single unit)	21	21
Stations		
	86	85
Customers		
Customer satisfaction index (PTV target 68) – trains	70.4	69.8
Customer satisfaction index – coaches	74.5	74.7
No. of customer information enquiries	225,671*	507,392
No. of customer feedback cases	12,419	13,360
No. of on-train consultation sessions with customers	11	12
Compensation paid to customers for V/Line not meeting on-time targets (complimentary ticket value)	$63,764	$128,125

Facts and figures

	2013–14	2012–13
Employees		
Full-time equivalent staff	1428.7	1402.5
Total head count	1516	1493

Operations		
Reliability overall (commuter & long-distance services, average monthly performance)	98.2	97.4
Reliability – commuter	98.2	97.4
Reliability – long distance	98.2	97.3
Punctuality overall outside metro network (commuter & long distance services on time to 5 and 10 minutes respectively, average monthly performance)	95.3	94.2
Punctuality – commuter on time to 5 minutes	87.5	85.1
Punctuality – long distance on time to 10 minutes	87.6	77.1
No. of services run – commuter distance	55,222**	57,927
No of services run – long distance	12,501	12,113

Finance		
Total income	$577.479 million	$525.185 million
Total expenses	$587.366 million	$540.715 million
Income tax expenses	($2.974) million	($4.309) million
Net result	**($6.913) million**	**($11.221) million**

* Figure reflects increased uptake of online and social media channels; more proactive messaging to customers; first full financial year of Sunbury line electrification which saw Sunbury and Diggers Rest station customers become part of the metropolitan network.

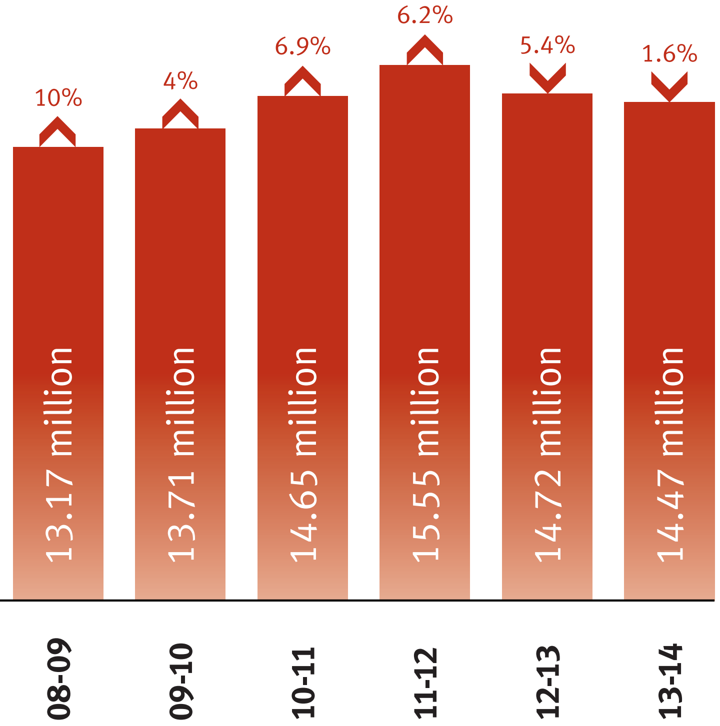
** The decrease in commuter services was a result of track works.

^ FY2012–13 LTI rate is higher than reported last year as some injuries were not confirmed as LTIs.

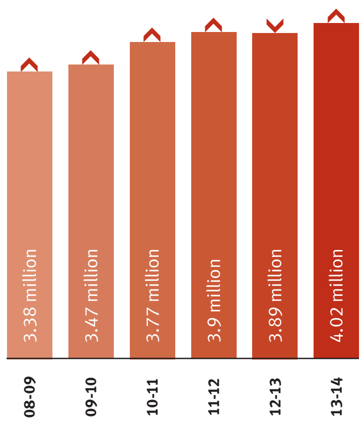
FY2012–13 SPAD measurement has changed. See Safety section for full explanation.

Patronage

V/Line train and coach passenger trips over five years

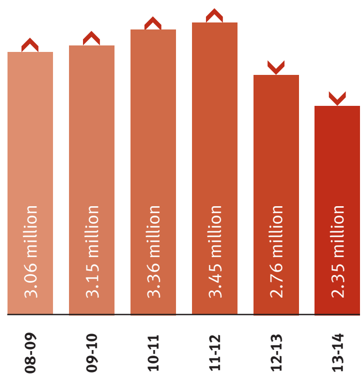


Train patronage by line



Geelong

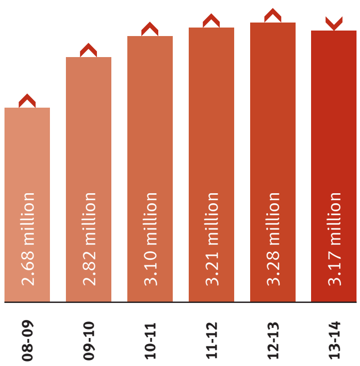
18.9% over 5 years



Bendigo

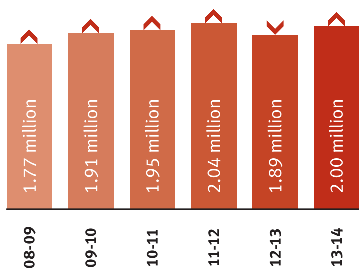
-23% over 5 years*

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



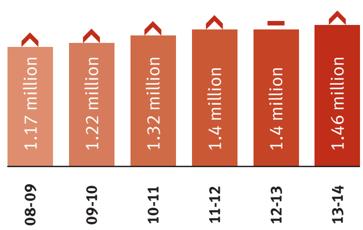
Ballarat

18.3% over 5 years



Gippsland

13.0% over 5 years



Seymour

24.8% over 5 years

Safety and security

Safety underpins everything V/Line does and all it aims to achieve. The Safety, Security and Environment group drives organisation-wide safety awareness, safe work practices and manages safety risks.

The goal this year was to improve safety culture and performance and provide a foundation for an enduring safety culture that is focused and committed to delivering continuous safety improvement.

The ways we reached this year's safety goals included:

- Engaging staff to increase their safety awareness
- Developing more effective processes and standards
- Promoting and rewarding safe behaviour and
- Increasing the safety capability of our employees

In 2013–14 V/Line was an integral part of the Regional Rail Link (RRL) project and a member of work packages B, C and G Alliances. The RRL project has had an industry leading safety performance result for Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR). This was an encouraging trend we hope to maintain in the final stages of the project in 2014–15.

The safety focus for the RRL project was complemented by the construction of protected level and pedestrian crossings along the RRL corridors. Unlike most traditional 'passive' level crossings, protected crossings do not allow access for motor vehicles or pedestrians when a train is approaching. This safety measure ensures risks are minimised with the introduction of new crossings.

During the year, V/Line staff recorded an organisation-wide drop in the LTIFR (one of the key measures of safety performance) from 8.3 per million hours worked to 7.7 per million hours worked.

The reduction can be attributed in part to the impact of this year's safety transformation projects which included:

- Safety focus groups: formed to find out what safety means to staff and how it can impact their work. These group meetings triggered a decision to appoint three safety advisors for Bendigo, Ballarat and Geelong to provide staff support at the point of need.
- Safety shares: introduced to every meeting at V/Line involving three or more staff. This significant initiative sees staff talking regularly about a safety issue and safety learning, keeping it front of mind.
- Safety information displays: safety information was standardised and displayed on our noticeboards so staff across all departments were given a clear picture of our progress toward safety targets.
- Personal Protection Equipment (PPE) standards: a PPE standard was created for each job across the business. This standard helps each person understand what equipment must be worn for each specific role they undertake.
- Staff working alone program: assistance systems and processes developed to minimise risks for isolated workers, often at remote locations. Phase one of this program was implemented in 2013–14.

Lowering the rate of customer injuries remained a focus during 2013–14. Customer injuries were often the result of a slip, trip or fall on a platform or when boarding or exiting a train. The Medically Treated Injury Frequency Rate (MTIFR) for customers remained relatively unchanged at 0.31 compared with 0.30 in 2012–13.

The Safety, Security and Environment group prepared to join other national network operators in reporting all trespass and near miss incidents to TrackSAFE from 1 July 2014. It is expected this measure will give public authorities a clearer picture of the extent of these incidents.

Human factor SPADs

Signals Passed at Danger (SPAD) rate calculation: This year, V/Line changed the method used to calculate SPAD rates to meet industry best practice. Previously, V/Line used a method based on industry standard that bases its SPAD calculation on kilometres covered by carriage units, whereas best practice bases its calculation on kilometres covered by train services. The new method reflects that some carriage sets are coupled together into one train service. It is thought the old method led to under-reporting of SPAD rates by overstating the kilometres travelled.

Work continued this year on a new SPAD mitigation strategy. The strategy will be implemented next year and include insights from a benchmark review by Metro Trains Melbourne (MTM) and Queensland Rail.

There was significant improvement this year in the incidence of Human Factor SPAD, with a 'nil' result for June 2014 and a year-end SPAD rate of 1.97 per million train kilometres. This SPAD rate represented a 38.6 per cent drop from the previous year. This was our best result since 2011–12 when we recorded a rate of 1.26. Another highlight was 90 consecutive days up to and including 30 June 2014 without a SPAD. These figures are an encouraging trend and an endorsement of the work under way.

Part of that work was performed by a monthly cross-business SPAD review group to provide systematic and rigorous risk review and remedial actions. Another important contributor to this result was executing the SPAD action plan. This involved showing staff a SPAD awareness DVD; increased SPAD driver supervision; a SPAD awareness poster campaign; and the introduction of a situation awareness training model during driver refresher training on SPAD mitigation.

Safety and security

Security and emergency management

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

Graffiti costs Victorian taxpayers $400,000 in cleaning and train replacement coaches each year. In 2013–14 we introduced a dedicated Canine Security Unit to patrol train stabling yards and infrastructure with a particular focus on deterring and identifying graffiti vandals. Patrols were initially conducted at locations with a history of vandalism such as Geelong, Ballarat, Seymour, Kyneton and Echuca.

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

Further staff training in V/Line emergency response procedures was provided in collaboration with emergency services (Victoria Police, MFB, CFA and the SES).

The training program was also expanded to include contingencies for the new RRL infrastructure and services scheduled to start mid 2015. Comprehensive planning and emergency exercises focused solely on RRL were also performed with Emergency Services, MTM and ARTC. These exercises resulted in new safety procedures and updates to safety interface agreements. Security operations were managed for RRL closures and coach services.

The security and emergency management team also:

- Assisted deployment of Protective Services Officers to Geelong, Melton, Deer Park, Ballarat and Bendigo.
- Instituted a regional policing forum across Victoria focussing on security at stations and prevention of vandalism and theft. This has resulted in a significant increase in police presence and patrols carried out on V/Line premises.
- Assisting MTM with its emergency management processes and training to better align the two rail networks.
- Implemented a new security and safe working lock system across the regional and metropolitan network to boost safety and security of staff and assets.
- Carried out a number of investigations resulting in arrests of persons involved in the theft of rail assets across the network.
- Upgraded physical security systems and programs including CCTV, access control systems and fencing.

Rail safety legislation

The *Victorian Rail Safety Act 2006* was replaced on 19 May 2014 with the *Rail Safety National Law Application Act 2013*. The biggest impact on V/Line operations related to the way incidents are reported to ATSB (Australian Transport Bureau) and ONRSR (Office of the National Rail Safety Regulator). The new law also requires that all rail safety workers hold a form of identification and V/Line rail safety workers were this year given an identification card to ensure compliance.

Rail safety awareness

In 2013–14 V/Line supported Rail Safety Week from 12 to 18 August through the ‘Don’t push your X-ing luck’ campaign. The campaign focused on promoting safety at and around level crossings.

Partnering with Victoria Police and VicRoads and joined for the first time by Transport Safety Victoria, local councils also adopted the cause of promoting safety through social media and by displaying posters in local areas.

A VLocity train wrapped with ‘Don’t push your X-ing luck’ livery travelled for three months across Victoria, covering approximately 49,500 kilometres. The safety messages on the train also reminded customers of penalties for infractions at level crossings. Similar messages were incorporated into campaign flyers handed out at stations and on posters displayed inside trains and at stations across the network.

The social media component of the ‘Don’t push your X-ing luck’ campaign reached nearly 30,000 people. Further engagement was achieved with two dedicated safety films - one targeting children and the other teenagers.

Since the first ‘Don’t push your X-ing luck’ campaign launched in June 2012, there have been no recorded near misses or collisions at the targeted vehicle crossings (hot spots).

Customers

In 2013–14, V/Line started its journey to deliver an improved customer experience. A new organisational structure and reinvigorated culture helped the organisation make great strides to ‘deliver as one’ for our customers.

The organisation served 14.47 million train and coach customers. This is 1.6 per cent less than the 14.72 million customers served in 2012–13. The decrease is attributed to the impact of Metro Trains’ late 2012 takeover and electrification of services from Sunbury and Diggers Rest stations. Patronage was also affected by service disruptions caused by weather and Regional Rail Link (RRL) works to expand the network.

Train patronage on the Geelong, Gippsland and Seymour lines increased over the year with a total of 4.02 million, 2 million and 1.46 million customer trips respectively.

The Geelong line had the biggest rise, with an extra 130,000 trips. This three per cent increase came despite extensive work over the period to upgrade sections of track and infrastructure.

Ballarat line patronage fell slightly to 3.17 million trips and Bendigo line patronage dropped 15 per cent to 2.35 million. Regional Rail Link works impacted both lines with closures across school holidays during which train replacement coaches were provided while the Bendigo line decrease also reflected the first full financial year without Sunbury and Diggers Rest passengers travelling on V/Line trains.

Customer service strategy

V/Line aspires to be in the top five per cent of customer service organisations in the world by 2016. This ambitious goal is supported by several corporate objectives.

Our customer service strategy provided an action plan to enhance passenger and freight services.

The principles guiding the strategy are simple: listen to customers; improve based on what customers want; and exceed their expectations.

Eight objectives form the backbone of this strategy:

1 Create a customer service culture
2 Develop our signature service
3 Set our service standards
4 Listen to customers
5 Communicate our customer focus
6 Recruit and retain a customer focused team
7 Empower and equip the team to deliver on customer service
8 Recognise customer service excellence

An output of the strategy is the development of a Customer Charter. The charter will be our customer service promise to our train, coach and freight customers.

In developing the charter this year, insights about customer satisfaction were gained from approximately 400 regular customers. An analysis of the results revealed our customer ‘must have’ service expectations centred around:

- Reliability
- Comfort
- Helpfulness
- Information
- Safety and security

The Customer Charter will be launched in August 2014.

Customer communication

With the goal of reaching more customers more often with the information they want, our customer communication efforts in 2013–14 were a success by many measures.

A priority for our customers was to be kept informed of service disruptions. The provision of timely, accurate and accessible information was a constant focus.

Conductors and station staff are now provided with scripts for announcements ahead of all planned disruptions and this has assisted with the flow of information to our customers.

An increase in customers using social media and digital channels was a feature of the period with our Twitter feeds the standout performer.

Overall Twitter usage leapt 48.9 per cent to 13,699 followers. This is almost double the number of registered followers when we first adopted Twitter in 2011–12. The ‘real-time’ feeds to customers across the state are becoming an invaluable resource, particularly during times of service disruptions.

Our Facebook page also continued to grow with 18,781 followers by the end of the financial year. This was up 22.7 per cent from 15,302 followers who ‘liked’ our page in 2012–13.

Traffic to the V/Line website was up about two per cent overall and the My Line mobile application was downloaded by 33,644 users.

Online ticket sales were down slightly by 1.7 per cent in line with expectations due to the full implementation of myki on all commuter services.

Customers

Partnerships

Our partnership strategy for 2013–14 was to engage further with stakeholders that provide our customers with benefits, particularly through tourism campaigns.

This included partnerships with 80 large and small organisations in regional Victoria and Melbourne that encouraged visits to or from the regions for events and enterprises accessible from our network.

As in previous years, much of this work with partners involved co-branding campaigns with tourism industry operators.

A major regional partner was Bendigo Art Gallery with a campaign to drive people to its *Modern Love* exhibition, while increasing V/Line customer patronage. As a result of the campaign, we estimate 700 new patrons during off peak services alone went to Bendigo.

Major Melbourne-based partners during the year included NGV for the *Melbourne Now* exhibition and the *Italian Masterpieces from Spain's Royal Court*.
We partnered with ACMI for *DreamWorks Animation: The Exhibition* and with Melbourne Museum for *Designing 007: 50 Years of Bond Style* and *Aztecs* exhibitions.

We continued use of co-branded train wraps and billboard promotions for major events such as the Grand Prix and the musical *WICKED*.

V/Line won three marketing awards during the period, including the 2013 AMI (Australian Marketing Institute) Awards for Marketing Excellence. We were the national winner in the Sponsorship category for the *Grace Kelly: Style Icon* exhibition at Bendigo Art Gallery.

Our Guilt Trip campaign for 2012–13 won the prestigious Grand Prix in the Creative Effectiveness category at the Cannes Advertising Festival on 16 June 2014. Guilt Trips was also the winner of 2013 AMI Awards for Marketing Excellence - state (VIC) in the Marketing Communications (business to consumer) category.

Other major campaigns throughout the year were Footy, Escape Spring, Escape Summer, Escape Autumn, Goldrush Special, Country Racing and My Line.

Quiet carriages

Quiet carriages promote courtesy and an environment where customers can relax with minimal distractions.

After trialling the concept last year and receiving positive feedback, more quiet carriages were progressively rolled onto the network in 2013–14.

There are now 32 quiet carriages on our VLocity trains and all are located at the end of a three-car set.

Accessibility Action Plan

The foundations for our Accessibility Action Plan 2012–2015 were laid last year around the key areas of customer service: consultation and community engagement; access to public transport; and access to facilities.

The following milestones were achieved:

- Started Scope's See the person, See the opportunity training to better equip conductors to assist customers with disabilities;
- Convened the first V/Line Community Accessibility Forum with a wide range of disability advocate groups and individuals to prioritise the improvements needed most;
- Upgraded toilet facilities at Ararat, Kilmore East, Castlemaine and Wallan stations to be fully accessible; and
- Completed the research and recommendation stages to gain the international Communication Access Symbol.

Should V/Line meet the rigorous requirements for the Communication Access Symbol it will be the first rail provider in the world to be awarded the symbol.

This would mean V/Line has been assessed as being "communication accessible" - that is, any customer with a communication difficulty (English as a second language, hearing impaired, vision impaired, those with intellectual disability) will be supported along their journey by qualified V/Line staff.

Customers

Customer consultation and feedback

The customer feedback team performed strongly this year. Initiatives that improved the experience for our customers included a program to increase the frequency of service disruption announcements at stations and a gap analysis of complaint procedures against ISO Australian Standards in this area.

Public Transport Victoria customer satisfaction surveys showed V/Line train customers were more satisfied with our services in 2013–14 with 70.5 per cent stating they were satisfied compared to 69.8 per cent in the previous year. This is the major indicator of customer satisfaction and considered an encouraging result due to the volume of service disruptions caused by major capital and upgrade works including RRL. Satisfaction with V/Line coach services remained steady at 74.4 per cent compared to 74.5 per cent over the last reporting period.

PTV this year implemented new Service Level Agreement (SLA) standards for customer feedback procedures.

The team acknowledged customer feedback within seven days, 79.7 per cent of the time and closed each feedback case within 10 days, 69.4 per cent of the time.

The V/Line Call Centre received 225,671 calls in 2013–14. This was the third consecutive year of falling inbound calls due to the continued rollout of popular online and social media channels. More frequent proactive messaging to customers - via traditional and digital channels - and the drop in customer numbers since Sunbury and Diggers Rest station customers became part of the metropolitan network also contributed to the reduction.

Customers are eligible for compensation (a complimentary ticket) when monthly train performance targets are not met and may also be compensated when they experience delays of 60 minutes or more. This year, the combined value of customer compensation was $91,750.79, compared with last year's total of $172,959. Last year's figure was incorrectly reported in the annual report as $122,125.

Sustainability and environment

Environmental management

V/Line operates an extensive rail network supported by fuel depots, stabling facilities, maintenance depots and workshop sites. The environment team actively manages the environmental risks associated with the handling of fuels and other potential pollutants.

V/Line continues to work to reduce spills from train fuelling sites. A maintenance contract ensures all equipment at permanent fuel points is in good working order and that maintenance and upgrade activities are coordinated. South Dynon remains a location where pollution and other environmental risks need to be closely managed because of its ageing infrastructure, land settlement, and proximity to Moonee Ponds Creek.

Minimising the impacts of V/Line's activities on protected vegetation and wildlife in the rail reserve remains a priority. During 2013–14, our environment team continued to map the location of these important biodiversity features to provide better guidance to infrastructure workers on where strict environment controls exists. The team has also worked to manage environmental impacts associated with maintenance works including hazardous tree removal, level crossing upgrades and line of sight clearance.

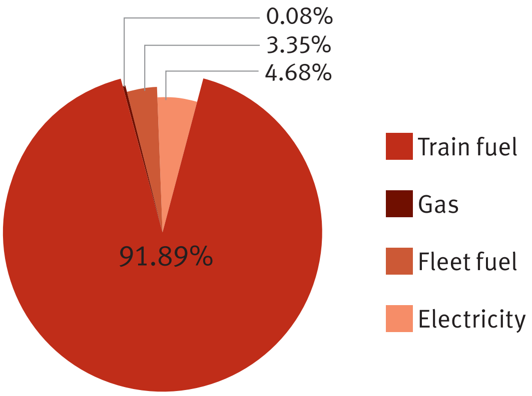
In 2013–14, V/Line broadened the scope of its environmental training program. This included the development and implementation of an improved online training program for office and station based staff, the delivery of training tailored for regional Asset Management staff and train maintenance contractors.

Our environmental performance is guided by an ISO14001 certified Environmental Management System. Objectives, targets and an action plan have been developed as part of this. In line with Financial Reporting Directive 24C issued by the Department of Treasury and Finance, V/Line where possible, monitors and records its consumption of energy, water, paper and transport, as well as its output of waste and greenhouse gas emissions at its office-bases. The results for 2013–14 are below.

Energy use and greenhouse gas emissions

The running of trains is the primary source of energy consumption at V/Line, with train fuel use accounting for over a billion megajoules of energy consumption and approximately 90 per cent of our energy consumption. Other sources of energy consumption are our vehicle fleet, and the use of electricity and gas at V/Line sites. Electricity is used for internal and external lighting, heating, air conditioning, and running office and plant equipment.

Energy consumption



The target for 2013–14 was to maintain energy use per passenger kilometre at or below the 2010–11 baseline. Energy consumption decreased by 5.82 per cent per passenger kilometre below this target. This decrease includes an adjustment to passenger kilometres to account for loss of patronage due to the handover of Sunbury to Metro Trains in November 2012.

Indicator	2013–14	2010-11
Total energy use (GJ)	1,275,740	1,249,497
Greenhouse gas emissions associated with energy use (tCO2-e)	104,385	98,224
Energy use / passenger kilometre (MJ / pass km)	1.22	1.29
% change in energy use / passenger kilometre	6% decrease	

V/Line is required to report annually under the National Greenhouse and Energy Reporting Act.

Our head office is located at 750 Collins Street with V/Line a sub-tenant of PTV. As a result, electricity consumption data for heating, air-conditioning and lighting is not made available to V/Line. Our head office has an improved environmental performance in comparison to previous buildings, and it was designed to achieve a five star NABERS rating.

Initiatives undertaken

V/Line is working to reduce the environmental effects of its energy consumption by encouraging staff to adopt energy saving behaviours such as turning off lights and computers.

Sustainability and environment

Comments on data quality

- Data is based on billing information provided by the electricity retailer.
- Electricity and gas use was estimated by extrapolating data from available invoices.
- 2010–11 figures in this report differ from previous reports as they have been adjusted to account for the loss of passenger kilometres due to the electrification of the Sunbury line.

Waste

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

In 2013–14 a consolidated waste contract was introduced to facilitate the uniform provision of waste services to all V/Line sites. This contract is being rolled out on a site by site basis as existing contracts expire. As new sites move onto the consolidated contract, waste data is made available by the new service provider.

At our head office general kitchen waste and office waste are produced, and either disposed of to landfill or recycled. PTV in partnership with V/Line initiated a trial of green waste collection in May 2014, with the intent of ongoing implementation.

The consolidation of head office locations to a shared floor at 750 Collins Street has required the introduction of a new waste audit process requiring additional estimation. As a result, 2013–14 waste volumes are not comparable to previous years. Two audits of waste generation within head office were completed during 2013–14. While these audits are only indicative of actual waste volumes, they estimated that employees disposed of 21 tonnes of waste in total (including recycling), or approximately 97 kg/FTE for the year. It is estimated that approximately 4.2 tonnes of greenhouse gas emissions (t CO2-e) was released from the disposal of head office waste to landfill this year.

Initiatives undertaken

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

- Recycling bins are located in utilities, kitchens, break out areas, and across the floor.
- Staff members are encouraged to reduce the amount of waste produced and use correct recycling practices. This has included the use of signage, and inclusion of content on waste reduction and recycling in toolbox talks and other communications.
- Toner recycling is in place throughout the office.
- Composting of green waste, with associated communications, is being trialled at head office.

Comments on data quality

- Data on waste generation is based on three weeks of data that has been extrapolated for an annual period.
- The weight of disposed waste was estimated using Sustainability Victoria's volume to waste conversions tool.
- Greenhouse gas emissions were estimated for waste to landfill only using Federal Government emission factors.

Paper

V/Line recognises that paper use is an important environmental issue. Across the whole organisation, paper use per FTE in 2013–14 decreased by 45.01% from the previous year, and at head office paper use per FTE decreased by 42.47%. This significant change is attributed to a new security card system for printing, ongoing changes to staff attitudes and practices regarding printing including the introduction of more electronic devices.

Indicator	2013–14	2012–13
Total paper use (reams)	4,425	7,903
Paper use / FTE (reams / FTE)	3.0	5.4
% change in paper use / FTE	45% decrease	
Percentage of paper purchased with a recycled content above 50%	80%	93%

Sustainability and environment

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

Indicator	2013–14	2012–13
Total paper use (reams)	2,613	4,415
Paper use / FTE (reams / FTE)	11.96	20.80
% change in paper use / FTE	42% decrease	
Percentage of paper purchased with a recycled content above 50%	98%	95%

Initiatives undertaken

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

- A new printer monitoring system has been implemented, to allow paper and ink consumption to be monitored, in addition to current data on paper purchased.
- A partnership with the paper supplier has been formed, to identify opportunities to improve consumption data, and minimise the impact of paper consumption.
- A swipe card system has been implemented, which reduces unnecessary printing.

Comments on data quality

- Paper consumption is reported as A4 reams (e.g. one A3 ream equals two A4 reams).
- Data is compiled from invoices provided by the paper supplier.

Water

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

V/Line has developed a more accurate water baseline for 2011–12 to measure future water consumption. Available water data has been used to extrapolate annual consumption for 2013–14. Water consumption per passenger kilometre decreased by 9.95% against the 2011–12 baseline. This decrease includes an adjustment to passenger kilometres to account for the loss of patronage due to the electrification of the Sunbury line in November 2012.

Indicator	2013–14	2012–13
Total water use (kL)	37,540	42,322
Water use / passenger kilometre (L / 1000 pass km)	36.34	39.47
% change in water use / passenger kilometre	10% decrease	

Water is used at our head offices for bathroom and kitchen purposes. As V/Line is a tenant in these buildings, data on our water consumption is not available as individual floors are not metered.

Transport

As a state-wide transport operator, V/Line requires its staff to travel throughout Victoria. Employees always where possible use our train and coach services to attend regional meetings, but a vehicle fleet (including machinery) is available to support head office and regionally-based staff.

The following information on energy used by vehicles covers all V/Line operations (note: head office performance cannot be reported on as data is not available at this level). V/Line does not monitor air travel or how employees commute to work.

Indicator	2013–14	2012–13
Energy Use (GJ)		
Diesel	40,801	52,613
Petrol	1,873	4,459
LPG	0	91
Total	42,674	57,163
Greenhouse gas emissions from vehicle fleet (tCO2-e)	2,982	3,994
Energy Use (GJ)	29	39
% change in energy use per FTE	27% decrease	

Sustainability and environment

Initiatives undertaken

V/Line encourages travel by public transport where possible, to minimise use of the vehicle fleet. There are three hybrid vehicles within the V/Line fleet with plans to include more low emission vehicles as replacements are required.

Comments on data quality

- 2012–13 figures for fuel use have been adjusted from last year's report due to the availability of more comprehensive data.

Environmental regulation and performance

The Company's operations are subject to various environmental regulations under both Commonwealth and State Laws. It maintains and takes active steps to improve its environmental management systems and internal procedures to help discharge its obligations under these laws.

There were no significant new environmental incidents during 2013–14. The company is still addressing the following environmental issues, as reported in the 2012–13 financial year:

- A clean up notice issued on 28 May 2008 under section 62A of the *Environment Protection Act 1970 (Vic) (EPA Act)* relating to legacy contamination at Ararat.
- Pollution abatement notice issued on 18 November 2008 under section 31A(1) of the EPA Act relating to discharge into a stormwater drain from the refuelling of trains at Traralgon.
- Working with a specialist contractor and the EPA to reduce and monitor the impacts of a diesel spill which occurred on 12 September 2009 as a result of a train derailing in the Stonyford area after hitting trees that had fallen from a neighbouring property across the track.

Community outreach

During 2013–14, our community outreach activities continued to provide support for country communities. The strategy was to create and consolidate partnerships with organisations that share our vision for a prosperous regional Victoria and to further develop programs which help strengthen our communities.

The V/Line Life Training program is an educational and motivational program for young people growing up in country Victoria, traditionally delivered through sporting clubs and associations. Program Ambassadors and sports stars Heath Black and Madi Robinson (née Browne) delivered 12 Life Training sessions to sporting groups teaching life skills to around 1000 14 to 18 year-olds in regional Victoria.

This year Life Training partnered with the Beacon Foundation's High Impact Work Readiness Program. Twenty-five students in years nine and 10 attended each of the 10 pilot sessions which combined real world skills from the Beacon Foundation's program with a Life Training education component.

V/Line continues to strengthen its partnership with Travellers Aid with support of the Medical Companion Service as well as other cash and in-kind contributions.

The Medical Companion Service provides a volunteer to accompany people who are using public transport in Melbourne to attend medical and hospital appointments. The Medical Companion Service has assisted more than 1000 people since the program began with 90 per cent of customers residing in regional Victoria.

The Stationeers program (through Keep Australia Beautiful) continued to support beautification works at several V/Line stations. The partnership with AFL Victoria Country reached all parts of the state with another successful V/Line Cup, continuing in its role as the first step for young footballers on their journey to the AFL. V/Line also supported several small community events and organisations including local schools, the East Gippsland Business Awards and the Ballarat Health Companion Service.

Our community outreach activities were monitored through a Social Responsibility Index (to measure the social impact of partnerships) for the second year. In 2012–13 there was a baseline measure of 54.8 per cent across the programs, this increased to 76.7 per cent in 2013–14, which means programs positively influenced more than three-quarters of participants.

Our people

Leadership and culture

Like many traditional railway organisations the V/Line culture has evolved out of a "command and control" leadership and engagement style. This resulted in a top down approach to authority, decision making and working in silos.

To ensure sustainability, V/Line this year launched a leadership and culture change program. The goal of our leadership and culture strategic priority is to establish a culture with an emphasis on safety, customer and working as 'one team'. In 2013–14 we have focused on:

- Removing business silos
- Sharing information throughout all levels of the organisation
- Having leaders that champion our values
- Empowering our people
- Placing the customer at the centre of our business, and
- Caring about the safety of others.

The overall objective of the program includes:

- Communication and team briefing processes
- Values-based leadership principles
- Leadership Effectiveness Survey
- Values-based leadership program
- Employee engagement survey response rate of 60% in 2015
- Succession planning and talent management identification program, and
- Culture that is focused on customer, safety and one team.

To achieve these objectives a three-phased plan was developed. This year we completed the first phase with the following results:

- Identified a high performance culture model
- Developed an enhanced recognition framework
- Reviewed and refreshed our employee induction program
- Developed values-based leadership principles
- Completed a leadership effectiveness survey
- Developed an employee engagement framework, and
- Determined a leadership effectiveness benchmark measure.

To achieve these outcomes, cross-functional teams were established to drive the development of these initiatives. This resulted in participation and ownership of activities within the business at all levels. It also provided the opportunity for our people to be empowered to come up with new and different ways to deliver improvements.

Implementation of these initiatives is the second phase of the plan and will occur in 2014-2015.

Registered Training Organisation (RTO)

To enhance our RTO delivery model during this year, a significant amount of work has been undertaken. This included:

- Expansion of our RTO accreditation to deliver Certificate II in Rail Infrastructure
- Introduction of two new units of competency for Aluminothermy Welding within the Certificate II in Rail Infrastructure
- In preparation to further expand our RTO accreditation, development of training materials for the delivery and assessment of Certificate III in Rail Infrastructure (Ganger School)
- Ongoing development and completion of heritage training modules for inclusion in our Certificate IV in Rail Operations
- Review of our existing conductor program to identify gaps for potential expansion of our accreditation scope to deliver Certificate III in Rail Customer
- Development of training and assessment materials in preparation for the expansion of scope to deliver Certificate IV in Network Control
- The introduction of 'tablets' to improve efficiencies in the delivery of training materials and assessment tools for trainee drivers.

Learning and development

Key activities included:

- New e-learning modules for security and environment developed and implemented
- Twenty-four people successfully completed our Management Development Program
- A pilot Train Driver Resilience Program developed and implemented
- Return to work
- Project management training.

Supporting the business

As a result of the implementation of the new 'customer relay' and 'enabling' organisation structure, the human resource business partners have supported the Executive Leadership Team to realign its functions and people to the changed business needs. The resulting organisational structure has created a number of new positions, career path and development opportunities.

The recruitment team has also provided significant support by filling a number of key roles including positions for Regional Rail Link operational readiness requirements.

Our people

Employee snapshot

Headcount	30 June 2014	30 June 2013
V/Line Skill Group		
Executive	8	9
Operations	48	51
Station staff	254	255
Conductors	220	221
Train drivers	365	358*
Authorised Officers	12	11
Infrastructure maintenance	184	183
Signals and communications	57	63
Train controllers	51	52
Network services	67	72
Other staff	250	218
Total	**1,516**	**1,493**
		*includes 8 internal trainee drivers

Headcount	30 June 2014	30 June 2013
Ongoing employees		
Employees (headcount)	1462	1429
Full-time (headcount)	1377	1362
Part-time (headcount)	85	67
FTE	1428.7	1402.5
Fixed term and casual employees		
Headcount	54	64
FTE	50.8	58.5
	Ongoing, fixed-term and casual employee (headcount)	**Ongoing, fixed-term and casual employee (headcount)**
Gender		
Male	1280	1269
Female	236	224
Age		
Under 25	34	39
25-34	222	219
35-44	297	301
45-54	503	522
55-64	407	368
Over 64	53	44

Service delivery – operations

V/Line operated a total of 67,723 train services and 63,752 coach services in 2013–14.

Long distance services accounted for 12,501 of these and commuter line trains 55,222. This represented a combined decrease of 3.3 per cent on the previous year. Major Regional Rail Link works and lengthy line closures saw trains replaced by coaches, and as a consequence, this dip in train services is in line with expectations.

Our best performing line was Echuca which had a punctuality rate of 94.6 per cent for the year.

An exceptionally hot summer and bush fires in February caused delays and led to the hot weather timetable being implemented for a total of 30 days across several corridors. Some corridors experienced up to four consecutive days above 40 degrees celsius. This is well above the 38 degrees celsius mark which triggers heat speed restrictions.

Improvements

The continuation of rehabilitation works on the Australian Rail Track Corporation (ARTC) network delivered improvements in the reliability and punctuality of Albury line services during the year.

GPS train monitoring was successfully rolled out for internal monitoring purposes. Staff can now use an app on iPhones, iPads and computers at stations to provide real-time customer service information on train locations.

Regional Rail Link Project collaboration continued this year, allowing V/Line to deliver services on operational infrastructure. In particular, the opening of the RRL track from South Kensington to Southern Cross provided V/Line with direct access to Southern Cross Station's new platforms 15 and 16. This removed the majority of Geelong services from the metropolitan network between South Kensington and Franklin Street, relieving congestion and improving Geelong line performance.

Coinciding with the opening of platforms 15 and 16 at Southern Cross Station was the opening of the arrivals stabling yard at North Melbourne. This provides V/Line with a state of the art stabling facility that has direct access to Southern Cross platforms 15 and 16.

The new facility also improved productivity and efficiency at the Southern Cross precinct by providing more capacity for bank and car sidings and significantly reducing shunting work.

A major project to address speed restrictions imposed by track defects was delivered on the Bendigo and Ballarat lines, improving times and service reliability.

A driver simulator delivered as part of the RRL Driver Training program was used extensively for classroom training. It was particularly effective in the lead up to new track becoming operational and will be an increasingly vital training tool for our professional driving programs.

In April 2014, the Warncoort Loop became operational for both customer and freight trains on the Warrnambool line. The loop is controlled remotely from Melbourne, reducing the time needed to manage crossing trains and improving scheduling of rolling stock for freight operators.

Challenges on the network

Track speeds and sleeper renewals on the Bendigo and Ballarat lines resulted in delays during May and June but completion of the works will provide more reliable and punctual services in the future.

Speed restrictions on the Traralgon line, pending major works on culverts planned for November to December 2014, contributed to delays on the eastern rail corridor.

The need to better manage isolated incidents that cause service disruptions was a feature of our service delivery efforts this year. There were multiple trespass and near miss incidents impacting 130 services; storms caused trees to fall on to tracks; cars collided with trains at fully protected crossings; copper wire was stolen, trains daubed in graffiti and animals were struck.

On a positive note, the introduction of new signalling and infrastructure has altered the way we work with Metro Trains, resulting in a more collaborative relationship between the train control groups.

Service delivery – operations

Performance

As with recent Victorian summers, exceptionally hot weather again led to train services running late and the implementation of speed restrictions. This weather caused 143 trains to run late between December 2013 and February 2014, well down on the 627 in the same period of 2012–13 and the 243 delays in 2010-11. February 2014 bush fires at Riddells Creek and Morwell closed lines while burnt out sleepers were replaced over two weeks.

Days exceeding 40 degrees celsius during the summer caused extensive issues with rolling stock performance and reliability. These issues will be addressed in a Beat the Heat summer plan for 2014–15.

Reliability of commuter services improved to 98.2 per cent, up from 97.4 per cent last year. This exceeded the target of 96 per cent set by Public Transport Victoria (PTV). Reliability of long distance trains also improved to 98.2 per cent, up from 97.3 per cent in 2012–13.

Overall punctuality (or on-time running) for commuter and long distance services over the last quarter was 85.59 per cent. This was our best last-quarter result since 2009. Punctuality of commuter services improved across all corridors to 87.5 per cent, up from 85.1 per cent the previous year. However, it was below the target of 92 per cent and will remain a key focus. Punctuality of long distance trains improved to 87.6 per cent, up from 77.1 per cent in 2012–13. The improvement in our long distance services was due to the Albury line, which achieved 80.7 per cent. This was a significant boost from 28.6 per cent in the previous year.

Punctuality for both commuter and long distance trains specifically across our regional network was 95.2 per cent, up 1.1 per cent. This figure refers to track that V/Line controls (up to the metropolitan boundary) and highlights that most delays occur in the busy metropolitan network.

Asset management – fleet

In March 2014 the Victorian Government announced it would boost our existing order of rolling stock with local train manufacturer Bombardier. An additional $17 million for three extra carriages was pledged, on top of the existing order of 40. The first of the 43 VLocity carriages will start to be rolled out across the regional network from late 2014, with the 43rd VLocity carriage due to be delivered by the end of 2016.

The 43 new carriages include eight three-car sets and 19 single cars. The 19 single cars will be inserted into the existing two-car fleet, to make three-car sets.

This will complete the conversion of the VLocity fleet into a uniform three-car configuration totalling 59 sets. Operating and maintenance efficiencies are expected to be realised in the next reporting period.

Bombardier is building the trains at its Dandenong production plant, with construction already well advanced. The first set is due to be tested in August 2014.

The expanded fleet will total 177 carriages and help us meet patronage demand from the Regional Rail Link Project. Due to this, the Geelong stabling yards will also be expanded to cater for the extra carriages. This year saw the completion of the concept design stage for the stabling yards and construction will start in September 2014.

The VLocity maintenance facility at Ballarat East has been upgraded to include jacks (to lift trains), overhead cranes and a travelling overhead platform to access VLocity roofs.

The Ballarat East facilities and updated maintenance procedures were responsible for the improved reliability of the VLocity fleet in 2013–14. The VLocity units travelled an average 131,374 km between faults; compared with 130,363 km in 2012–13 and 120,390 km in 2011–12. This represents a 9.1 per cent reliability improvement over the three-year period.

The average availability of VLocity trains was 90.3 per cent. This matched the result from 2012–13. The average availability for the past two years reflects an improvement from 2011–12, in part due to routine maintenance checks being changed from a two-week cycle to a three-week cycle. This change has consistently made VLocity trains across the fleet more available for service without adversely affecting reliability.

V/Line continued its work this year with RMIT Engineering to improve reliability of the 20-year-old Sprinter fleet. This work, combined with a less frequent but more thorough maintenance regime has paid off. This year, Sprinters travelled an average of 41,266 km between faults, compared with 37,122 last year – a 11.2 per cent gain. Average availability of Sprinters improved to 88.8 per cent; up 3.2 per cent from 2012–13 and 3.4 per cent from 2011–12.

Carriage performance also improved, with vehicles travelling an average of 117,820 km between faults compared with 102,499 in the previous year. This represents a 14.5 per cent increase but is still down on an average of 156,924 km between faults from 2011–12.

Average carriage availability was 82.4, up from 80.3 per cent the previous year.

An independent review was commissioned to improve the head-end power units on our locomotive-hauled trains, with particular focus on maintenance practices and system design. Early results from trial changes on two locomotives have been positive. The trials will continue next year.

Locomotives travelled an average of 24,993 km between faults compared with 24,698km in 2012–13. Average availability was 78.6 per cent compared with 80.3 per cent in the previous year, however the operational requirements for locomotives also decreased by two per cent for the year.

In January 2013, fatigue cracks were identified in some undercarriages or 'bogies' of 22 Z-class carriages. These carriages were subsequently removed from service during the 2012–13 period. This year, the fleet team worked with experts in the field to implement an extensive defect detection and monitoring process. Thirteen carriages were progressively returned to service this year. An order was placed with Bombardier and Castech Solutions to supply new bogies in early 2015.

The withdrawal of some of the affected carriages meant some trains operated with four instead of five carriages. This represented a seat capacity loss of approximately 10 per cent and made affected trains inaccessible to customers using mobility aids. V/Line provided alternative transport in the form of Wheelchair Accessible Taxis (WAT) for these customers. Due to the reduced capacity, coaches were also used to supplement trains in cases of crowding. These measures will continue until all the carriages rejoin the fleet in mid-2015.

Environmental initiatives

V/Line has an obligation and strives to be a good corporate citizen and work towards reducing diesel emissions. As such, trials continued on a catalytic converter on a VLocity unit and a low-emission injector on locomotives to reduce both diesel emissions and fuel consumption. Results of the trials are due in 2014–15 and will be implemented if successful.

It was a year of considerable activity and achievement as V/Line completed and progressed with several infrastructure projects. These projects are critical for users of the Victorian rail network both now and in the future.

Asset management – infrastructure

Renewals and capital works

An extensive renewals program included track repairs, sleeper replacement, repairs to bridges and level crossings, and public safety improvements at pedestrian and road crossings.

In September 2013, V/Line reopened the freight line between Toolamba and Echuca providing opportunities for increased container size and capacity for customers transporting rice from Deniliquin in southern NSW to Melbourne's ports.

Rail services between Traralgon and Bairnsdale were reinstated in October 2013 following a major program of works to ensure the reliable operation of active protection for level crossings. This represented the successful delivery of a short term strategy to improve safety at the affected level crossings. In addition, tracks on the approaches to all actively protected level crossings were renewed with the installation of concrete sleepers, track geometry improvement, and profiling of the rail to provide improved train detection.

The long term solution has begun, to replace the current train detection system at 32 automated level crossing sites with axle counters which do not rely on wheel and rail contact. It will be completed in the next reporting period.

V/Line completed construction of a new $2.5 million railway station at Talbot. The station, which includes a platform, bus, taxi and parking facilities, was opened on Sunday 22 December 2013 by the Minister for Public Transport Terry Mulder. The station is serviced by trains to Ballarat and Maryborough.

In March 2014, a new $8.7 million crossing loop was commissioned at Warncoort, near Colac on the Warrnambool line. The new remotely controlled loop facilitates the crossing of trains up to 800m in length, improving options for both freight and passenger timetabling and capacity between Geelong and Warrnambool.

Platforms at Macedon, Riddells Creek, Kangaroo Flat and Kilmore East stations where extended to 160m in length. This forms part of a $2.8 million program which also includes extensions to platforms at Gisborne and Broadford stations. The extended platforms increase capacity at each station and accommodate trains with up to six carriages.

Throughout 2013–14, $44 million and $8.3 million of track and structure renewal works were completed on the passenger and freight networks respectively.

The low clearance Midland Highway Bridge at Castlemaine (a location subject to numerous impacts from road vehicles) was replaced with a new $1.6 million bridge, specifically designed to increase clearance and withstand vehicle collision.

A $3.5 million reconstruction of the Broken River Bridge near Shepparton saw the largely timber structure replaced with a modern structure of concrete and steel. Seven additional bridges were replaced on the network, with new decks installed on a further eight bridges.

Track renewal works included the replacement of 91,000 life expired timber sleepers with 48,000 new timber sleepers and 43,000 concrete sleepers. A total of 38 level crossing renewals were completed throughout the network.

The Ballarat to Ararat, Echuca to Deniliquin, and Sunbury to Bendigo lines were a major focus for the year. In addition to sleeper replacement and level crossing renewal on these lines, ballast and drainage remediation works were carried out. Other notable achievements included a $1.8 million program to remove speed restrictions on the passenger network, and $1.6 million in track renewal works between Murtoa and Hopetoun (on the Mildura and Inglewood lines) which included reconfiguring the track layout at the junction between these lines (at Dunolly).

Preparation of Annual Works Plans for 2014–15 includes provision for Major Periodic Maintenance (MPM) and Maintaining our Rail Network (MORN) funding totalling approximately $50.1 million for the passenger network and $18.4 million for the freight network.

V/Line supported Freight Logistics and Marine (FLAM) in developing a maintenance strategy for the freight network. It included concentrating on the most heavily trafficked line sections, while attempting to maintain the remainder of the network in a fit-for-purpose condition. The strategy received support from the Victorian Government and resulted in additional MPM funding of $40 million in 2014–15 for works on the Murtoa to Hopetoun line and the Mildura line. The State Government also committed up to $220 million over four years for the Murray Basin Rail Project to undertake major country rail freight upgrades.

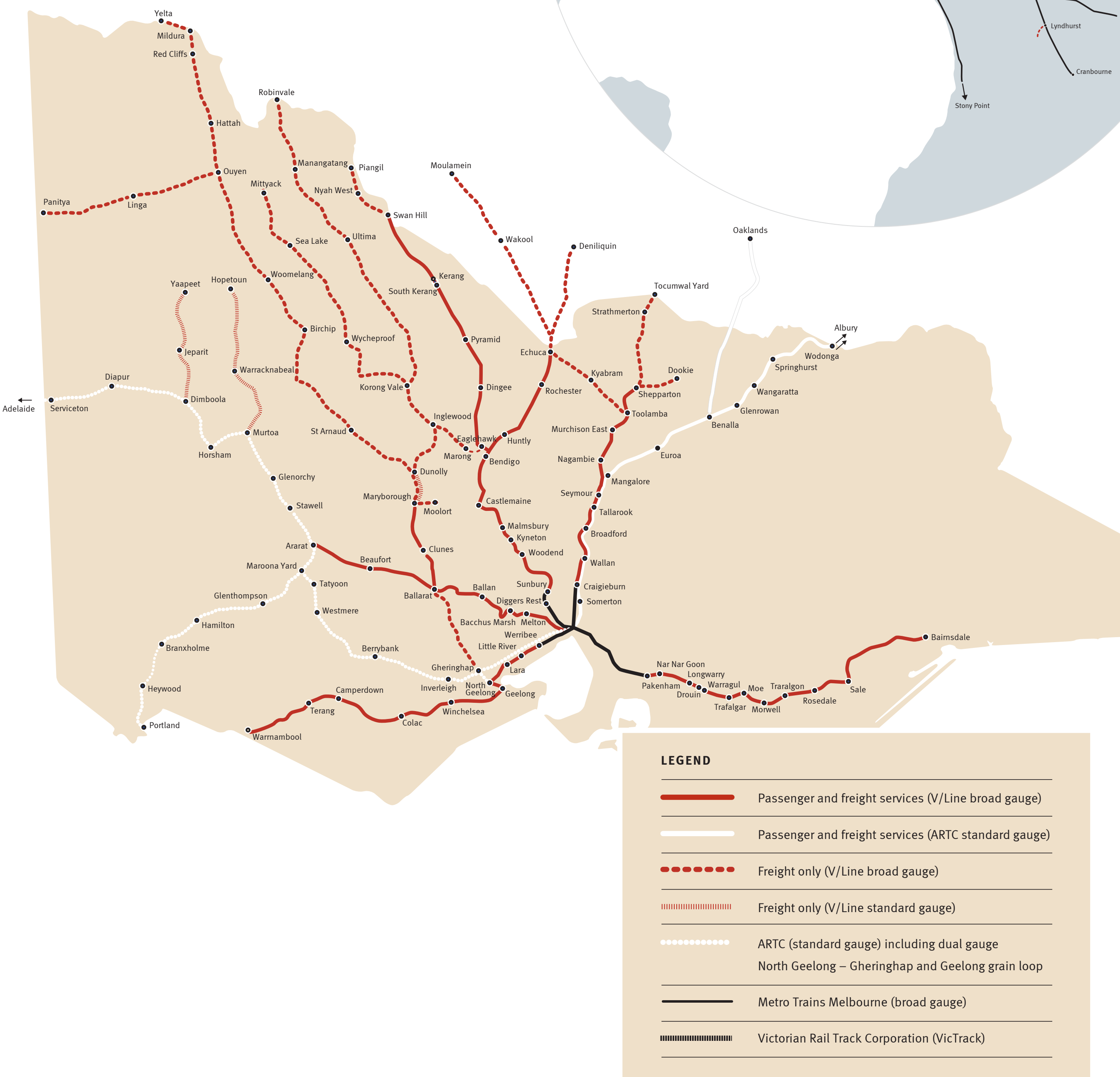
Significant progress was made on the Regional Rail Communications Network (RRCN) to update our asset communications systems to a 3G service with satellite backup. The RRCN will replace the non-urban train radio (NUTR) and be completed in 2017.

Asset management – infrastructure

Process and system improvements

One of our major strategic priorities in 2013–14 was to develop and implement an organisation wide Project Management Framework (PMF). The framework was implemented and now provides an effective and transparent process to boost project governance and outcomes. It aims to deliver improved efficiency of organisation-wide programs and projects.

Victorian rail network map



Financial summary

V/Line reported a $6.9 million loss after income tax for the year ended 30 June 2014, compared with a $11.2 million loss after income tax in the prior year. The net cash flow from operating activities was $0.4 million, with a net decrease in cash of $5.4 million.

Total income increased by $52.3 million. A significant contributor to this result was a $43.5 million rise in project reimbursement income from increased infrastructure maintenance activity. In addition, farebox revenue rose $5.3 million due to average fare increases in January 2013 (6.8 per cent) and January 2014 (3.1 per cent).

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

- The January 2013 removal of 22 Z-class carriages due to defective bogies which decreased fleet capacity. A total of 13 Z-class carriages were returned to service by 30 June 2014.
- Inconsistencies with warning systems at level crossings between Traralgon and Bairnsdale stations resulting in rail service suspensions from March to October 2013.
- ARTC track maintenance works on the Albury line.
- Closure of certain lines due to Regional Rail Link project works.
- High temperatures during the summer period which impacted track infrastructure.

Maintenance costs of the VLocity fleet, the locomotive fleet and the Sprinter fleet increased $3.6 million over the period. Maintenance costs are expected to remain high due to the demand on the classic fleet in particular.

Infrastructure maintenance and project expenses rose $17.4 million and $21.5 million respectively, caused by ageing infrastructure; an ongoing challenge for the business.

The management of the V/Line branded road coaches transferred from PTV to V/Line effective 1 January 2014. The expense of $13.6 million in 2014 is for six months.

Financial summary

Consultancy expenditure

The definition of consultancy was updated effective from 1 July 2013. Consequently, disclosures on the 2013–14 consultancy expenditure cannot be compared with previous year disclosures.

Details of consultants over $10,000

Non-project related						
Consultants	**Purpose of Consultancy**	**Start date**	**End Date**	**Total approved project fee (exc. GST) $'000**	**Expenditure 2013–14 (exc. GST) $'000**	**Future expenditure (exc. GST) $'000**
Grant Thornton	Audit Services and Procurement	01 Jul 2013	30 Jun 2014	394	394	Nil
Willis Australia Pty Ltd	Workers Compensation Services	01 Jul 2013	30 Jun 2014	937	373	564
RAAB Consulting	Transformation Program	01 Jul 2013	30 Jun 2014	337	337	Nil
Barrington Centre Pty Ltd	Employee Assistance Program and Training	01 Jul 2013	30 Jun 2014	834	302	532
Corrs Chambers Westgarth	Legal Advice	01 Jul 2013	31 Dec 2013	230	230	Nil
Wildermuth Consulting	Transformation Program	01 Nov 2013	30 Jun 2014	222	132	90
Ernst & Young	Internal Audit and Risk Management Services	01 Jul 2013	30 Jun 2014	130	130	Nil
RSM Bird Cameron	Internal Audit and Risk Management Services	01 Jan 2014	30 Jun 2014	754	108	646
Mills Oakley Lawyers	Legal Advice	01 Dec 2013	30 Jun 2014	114	114	Nil
Saville Consulting Asia Pacific	Recruitment and Aptitude Testing	01 Jul 2013	30 Jun 2014	76	76	Nil
Value Edge Consulting	Recruitment Testing, Assessment and Development	01 Jul 2013	30 Jun 2014	65	65	Nil
Rail Advisory Services Pty Ltd	Vline Board Consulting	01 Jul 2013	30 Jun 2014	62	62	Nil
Mercer Australia	Job Evaluations and Remuneration Advices	01 Jul 2013	31 Mar 2014	53	53	Nil
Horton International	Consultant for EGM Safety Security and Environment Recruitment	01 Jan 2014	31 Mar 2014	41	41	Nil
Transvalue Management Pty Ltd	Review of Projects- V/Line and State Projects	01 Jul 2013	31 May 2014	31	31	Nil
Herbert Geer	Legal Advice	01 Jan 2014	30 Jun 2014	27	27	Nil
Wes Gordon Consulting	WAP Training	01 Jul 2013	30 Jun 2014	22	22	Nil
Marich Consulting Services	Development of rail profile suitable for level crossings on Traralgon/Sale/ Bairnsdale Line	01 Sept 2013	30 Sept 2013	14	14	Nil
Cube Management	Advisory for Board Management	01 Jul 2013	31 Aug 2013	14	14	Nil
	TOTAL			4,355	2,523	1,832
Below $10K				Nil	Nil	Nil

Financial summary

Consultancy expenditure (continued)

Details of consultants over $10,000

Project related						
Consultants	**Purpose of Consultancy**	**Start date**	**End Date**	**Total approved project fee (exc. GST) $'000**	**Expenditure 2013–14 (exc. GST) $'000**	**Future expenditure (exc. GST) $'000**
Evans & Peck Pty Ltd	Project Managemant Services (RRL and State Works) and Risks Assesments	01 Jul 2013	30 Jun 2014	9,965	7,186	2,779
Rail Signalling Services Pty Ltd	State Works Project Management (RRL)	01 Jul 2013	30 Jun 2014	6,458	4,192	2,266
Interface Rail Engineering	State Works Project Management (RRL)	01 Jul 2013	30 Jun 2014	3,469	2,556	913
Worley Parsons	State Works Project Management (RRL)	01 Jul 2013	30 Jun 2014	1,410	1,106	304
Opus Rail (Previously Coffey Rail)	State Works Project Management (RRL)	01 Jul 2013	30 Jun 2014	942	775	167
Simmons Rail Consultants	State Works Project Management (RRL)	01 Jul 2013	30 Jun 2014	384	384	Nil
Transnet Logistics Pty Ltd	Project Management Services (ROMS)	01 Jul 2013	30 Jun 2014	371	371	Nil
Mott MacDonald Pty Ltd	DLM Design Consultancy	01 Jul 2013	30 Jun 2014	420	300	120
Nuttall Engineering Consultants	DLM Project – Engineering Consulting	01 Jul 2013	30 Jun 2014	140	116	24
Kellogg Brown & Root Pty Ltd	Design and Engineering Services	01 Jul 2013	30 Jan 2014	75	75	Nil
Parsons Brinckerhoff Australia Pty Ltd	Track Sequencing Alarm and Feasability Study	01 Mar 2014	30 May 2014	57	57	Nil
				23,689	17,116	6,573
Below $10K				Nil	Nil	Nil

Corporate governance

Board of directors as at 30 June 2014

HECTOR MCKENZIE – Chairperson

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

JOHN WILSON – Director

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

DR JOSHUA WILSON QC – Director

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

MARION MACLEOD – Director

Ms Marion Macleod is an experienced Board Director and chair with an extensive executive and non-executive career. Ms Macleod is currently a Director of the Victorian Farmers Federation, Farrer House, Acclaim and Melbourne Rotary. Her past Board directorships include Metlink, MECWA and CAE, where she was chair through a period of transformation. She has also been a Local Government commissioner, councillor, Williamson fellow and is a fellow [FAICD] and was previously a council member of AICD Victoria for eight years. Her breadth of business skills, particularly in strategic marketing and business transformation, has been in fast changing, innovative, highly regulated and complex market based stakeholder environments with specific knowledge of government, transport, logistics, membership based organisations and the telecommunications industry. She has delivered significant change programs and continues to deliver an award winning board governance program and strategic direction setting into the corporate sector. A Melbourne business school MBA alumna, she has a range of qualifications including in science BSc., and postgraduate qualifications in media and finance.

AMANDA DERHAM – Director

Ms Amanda Derham has executive and non-executive experience in strategic risk management and building organisational capability. Ms Derham has led organisational transformations, mergers and acquisitions, refocusing businesses after major sales and performance change across a diversity of sectors. She brings a breadth of experience gained over more than 25 years with private and ASX listed companies across complex manufacturing operations, communications and social justice organisations, family and Prime Minister's offices. Ms Derham is a Director of Anglicare Victoria Inc. and Graduate Member of the Australian Institute of Company Directors (GIACD) and a Life Member of the Museum of Victoria.

DEBORAH SPRING – Director

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

DAVID HARRIS – Director

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

Corporate governance

V/Line executive as at 30 June 2014

- **V/Line Board**
  - **Chief Executive** — Theo Taifalos
    - **EGM Asset Management** — John Pistak
      - **All Assets**: Engineering; Maintenance Standards; Project Management; Freight Services
    - **EGM Service Delivery** — Judith Sturman
      - **All Train Services**: Train Crew; Train Control; Service Planning; Coach Operations; Security
    - **EGM Customer** — Carol-Anne Nelson
      - **All Customers**: Stations; Conductors; Media and Stakeholder; Marketing; Customer Experience
    - **Chief Financial Officer** — Craig Barrett
      - **All Financials**: Management Reporting; Planning; Accounting; Procurement; IT Services
    - **EGM Safety and Environment** — Dean Matthews
      - **All Safety and Environment**: Compliance; Investigations; Accreditation
    - **GM Human Resources** — Jenny Kelman
      - **All People**: Industrial Relations; Learning and Development; Recruitment
    - **EGM Enterprise Governance and Risk** — Brendan Geary
      - **All Governance**: Company Secretariat; Legal Services; Enterprise Risk; Compliance Management; Contract Management

Corporate governance

V/Line Corporation and V/Line Pty Ltd

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

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

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

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

Board composition

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

The directors as at 30 June 2014 were Hector McKenzie (Chair), John Wilson (Deputy Chair), Marion Macleod, Dr Joshua Wilson QC, Amanda Derham, Deborah Spring and David Harris.

Board role

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

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

Board committees

The board of V/Line has established four board committees: Audit and Risk Committee; HR and Remuneration Committee; Safety, Security and Environment Committee; and Organisation Effectiveness Committee.

Audit and Risk Committee:

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

Members at 30 June 2014 were John Wilson (Chair), Marion Macleod, Dr Joshua Wilson QC and David Harris. Ms Spring was also a member of the Committee during part of the year.

Number of meetings held during the year: 7

HR and Remuneration Committee:

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

Members as at 30 June 2014 were Marion Macleod (Chair), Hector McKenzie and Amanda Derham. Dr Wilson QC was also a member of the Committee during the year.

Number of meetings held during the year: 5

Safety, Security and Environment Committee:

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

Members as at 30 June 2014 were Deborah Spring (Chair), Hector McKenzie, John Wilson and Amanda Derham. Ms Macleod was also a member of the committee for part of the year.

Number of meetings held during the year: 4

Organisation Effectiveness Committee:

Assist the board in providing oversight and review of our organisation effectiveness.

Members as at 30 June 2014 were Deborah Spring (Chair), John Wilson and David Harris.

Number of meetings held during the year: 1

Corporate governance

Board and committee meeting attendance

V/Line Corporation

	Board meetings		Special purpose board meetings	
Director	**Eligible to attend**	**Number attended**	**Eligible to attend**	**Number attended**
Hector McKenzie	11	11	2	2
Marion Macleod	11	11	2	2
John Wilson	11	11	2	2
Dr Joshua Wilson QC	11	6	2	2
Amanda Derham	9	9	1	1
Deborah Spring	9	9	1	1
David Harris	6	5	0	0
Jack Diamond	2	2	1	1
Susan Oliver	2	2	1	1
Moana Weir	2	2	1	1

V/Line Pty Ltd

	Board meetings		Special purpose board meetings	
Director	**Eligible to attend**	**Number attended**	**Eligible to attend**	**Number attended**
Hector McKenzie	11	11	2	2
Marion Macleod	11	11	2	2
John Wilson	11	11	2	2
Dr Joshua Wilson QC	11	6	2	2
Amanda Derham	9	9	1	1
Deborah Spring	9	9	1	1
David Harris	6	5	0	0
Jack Diamond	2	2	1	1
Susan Oliver	2	2	1	1
Moana Weir	2	2	1	1

Mr Jack Diamond, Ms Susan Oliver and Ms Moana Weir resigned as Directors effective 1 October 2013.
Ms Amanda Derham and Ms Deborah Spring were appointed Directors of V/Line Corporation on 1 October 2013.
Mr David Harris was appointed Director of V/Line Corporation on 3 December 2013.

Corporate governance

Committees

Director	HR & Remuneration		Safety, Security & Environment		Audit & Risk		Organisation Effectiveness	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Hector McKenzie	5	5	4	4	n/a	n/a	n/a	n/a
Marion Macleod	5	5	1	1	6	4**	n/a	n/a
John Wilson	n/a	n/a	4	3	7	7	1	1
Dr Joshua Wilson QC	2	2	n/a	n/a	6	4**	n/a	n/a
Amanda Derham	3	3	3	3	n/a	n/a	n/a	n/a
Deborah Spring	n/a	n/a	3	3	5	4**	1	1
David Harris	n/a	n/a	n/a	n/a	3	3	1	1
Jack Diamond	n/a	n/a	1	1	2	2	n/a	n/a
Susan Oliver	n/a	n/a	n/a	n/a	2	2	n/a	n/a
Moana Weir	2	2	n/a	n/a	1	1	n/a	n/a
Simon Lane*	n/a	n/a	2	2	n/a	n/a	n/a	n/a

*Consultant
**Unable to attend one of the meetings due to a rescheduling of the original scheduled date of the meeting.

Corporate governance

Access to information

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

Indemnification of Officers

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

Corporate plan

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

Ministerial directions

VLC received no Ministerial directions for the period ending 30 June 2014.

Risk management

A process is in place for V/Line and VLC to meet their obligations under the *Victorian Managed Insurance Authority Act 1996*. The board of V/Line, as the significant operating entity, considers risk management issues regularly as part of its board meetings, through the activities of both the Safety, Security and Environment Committee and the Audit and Risk Committee, as well as through an internal audit process known as the enterprise wide risk management system. V/Line also has in place other policies and management systems to ensure that operational and compliance matters are efficiently and effectively addressed. V/Line has a Management System Manual, which provides a comprehensive overview of these policies and management systems, including the enterprise wide risk management system, legislative compliance policies, an environment management system, and an audit framework for safety, security and environmental matters.

Insurance

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

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

Ministerial Standing Direction 4.5.5.1

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

Theo Taifalos
Chief Executive Officer
27 August 2014

Victorian Government Risk Management Framework Attestation

I, Hector McKenzie certify that V/Line Corporation through its wholly owned subsidiary and operating company, V/Line Pty Ltd, has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000–2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Board verifies this assurance and the risk profiles of V/Line Corporation and V/Line Pty Ltd have been critically reviewed within the last 12 months.

Hector McKenzie
Chairperson
27 August 2014

Corporate governance

Freedom of Information Act

The *Freedom of Information Act 1982* allows the public a right of access to documents held by VLC. For the year ended 30 June 2014, VLC received 14 Freedom of Information requests. One request was from a member of parliament, four from the media and nine were from the general public. The majority of requests were acceded to and none went to internal review nor progressed to appeal stage.

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

- it should be made in writing
- identify as clearly as possible which documents are being requested
- be accompanied by the statutory fee of $26.50 (the fee may be waived in certain circumstances), and
- addressed to:

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

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

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

Compliance with the Building Act

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

National Competition Policy

Under the National Competition Policy, the guiding principle is that legislation, including future legislative proposals, should not restrict competition, unless it can be demonstrated that the benefits of the restriction to the community as a whole outweigh the costs and that the objectives of the legislation can only be achieved by restricting competition.

VLC continues to comply with the requirements of the National Competition Policy.

Protected Disclosure Act

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

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

Independent Broad-based Anti-Corruption Commission (IBAC)
GPO Box 24234
Melbourne, Victoria 3000
www.ibac.vic.gov.au
Phone: 1300 735 135

Implementation of the Victorian Industry Participation Policy (VIPP)

In October 2003, the Victorian Parliament passed the *Victorian Industry Participation Policy Act 2003* which requires public bodies and departments to report on the implementation of VIPP. Departments and public bodies are required to apply VIPP in all tenders that are more than $3 million in metropolitan Melbourne and $1 million in regional Victoria. Our standard tendering procedures include compliance with VIPP as and when required.

V/Line entered into two contracts for the year ended 30 June 2014 to which VIPP thresholds applied and VIPP compliance was undertaken.

Availability of additional information

Our publications and statements are principally found at **vline.com.au**. The Standing Directions of the Minister for Finance, pursuant to the *Financial Management Act 1994*, require a range of information to be prepared in relation to the financial year. The material is retained by V/Line and can be made available to Ministers, Members of Parliament and the public on request, subject to the *Freedom of Information Act 1982*.

Financial statements

Contents

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

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

We further state that in our opinion, the information set out in the Consolidated Comprehensive Operating Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Financial Statements, presents fairly the financial transactions during the year ended 30 June 2014 and the financial position of the consolidated entity at this date.

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 27 August 2014.

Hector McKenzie
Chairperson

Theo Taifalos
Chief Executive Officer

Craig Barrett
Chief Financial Officer

Independent auditor's report

VAGO

Victorian Auditor-General's Office

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

INDEPENDENT AUDITOR'S REPORT

To the Board Members, V/Line Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2014 of the V/Line Corporation which comprises the consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration by the board of directors, accountable officer and chief finance and accounting officer has been audited. The financial report is the consolidated financial statements of the economic entity, comprising V/Line Corporation and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 1 (c) to the financial statements.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditing in the Public Interest

Independent auditor’s report

Independent Auditor’s Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of V/Line Corporation and the economic entity as at 30 June 2014 and of their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the Financial Management Act 1994.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor’s report relates to the financial report of the V/Line Corporation for the year ended 30 June 2014 included both in V/Line Corporation’s annual report and on the website. The Board Members of V/Line Corporation are responsible for the integrity of the V/Line Corporation’s website. I have not been engaged to report on the integrity of the V/Line Corporation’s website. The auditor’s report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
29 August 2014

for John Doyle
Auditor-General

2
Auditing in the Public Interest

Consolidated comprehensive operating statement

for the financial year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
CONTINUING OPERATIONS			
Income from transactions			
Revenue	2(a)	445,894	436,711
Other income	2(b)	131,585	88,474
Total income from transactions		**577,479**	**525,185**
EXPENSES FROM TRANSACTIONS			
Operational expenses	3(a)	319,583	310,761
Depreciation	3(b)	19,529	19,456
Administrative expenses		66,526	64,913
Selling expenses		1,795	2,219
Marketing and communication		2,661	3,408
Customer service expenses		3,423	3,394
Project expenses		61,914	40,424
Infrastructure maintenance		82,482	65,037
Trains provided free of charge – operating expenditure	1(j)	29,225	29,225
Total expenses from transactions		**587,138**	**538,837**
Net result from transactions (net operating balance)		**(9,659)**	**(13,652)**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Net gain/(loss) on financial instruments	4(a)	(8)	(2,599)
Other gains/(losses) from other economic flows	4(b)	(220)	721
Total other economic flows included in net result		**(228)**	**(1,878)**
Net result from continuing operations before income tax		**(9,887)**	**(15,530)**
Income tax (expense) benefit	5(a)	2,974	4,309
Net result	**14**	**(6,913)**	**(11,221)**
OTHER ECONOMIC FLOWS – OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus (net of tax of $51)	14	(120)	-
Items that may be reclassified subsequently to net result		-	-
Total other economic flows – other comprehensive income		**(120)**	-
Comprehensive result		**(7,033)**	**(11,221)**

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

Consolidated balance sheet

as at 30 June 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	6	14,263	19,617
Receivables	7	42,563	25,827
Total financial assets		**56,826**	**45,444**
Non-financial assets			
Inventories	8	9,649	9,273
Property, plant and equipment	9	136,222	150,194
Other non-financial assets	10	4,178	1,206
Total non-financial assets		**150,049**	**160,673**
Total assets		**206,875**	**206,117**
LIABILITIES			
Payables	1(t),12	59,217	45,993
Current provisions	1(u),13	60,171	62,618
Non-current provisions	1(u),13	6,656	6,617
Deferred tax liabilities	5(b)	201	3,226
Total liabilities		**126,245**	**118,454**
Net assets		**80,630**	**87,663**
EQUITY			
Accumulated deficit	14	(33,935)	(27,022)
Physical asset revaluation surplus	14	114,565	114,685
Net worth		**80,630**	**87,663**
Commitments for expenditure	21		
Contingent assets and contingent liabilities	23		

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

Consolidated statement of changes in equity

for the financial year ended 30 June 2014

	Notes	Physical Asset Revaluation Surplus $'000	Accumulated Deficit $'000	Total Equity $'000
Balance at 1 July 2012	**14**	**114,685**	**(15,801)**	**98,884**
Net result for the year	14	-	(11,221)	(11,221)
Other economic flows – other comprehensive income for the year		-	-	-
Balance at 30 June 2013	**14**	**114,685**	**(27,022)**	**87,663**
Net result for the year	14	-	(6,913)	(6,913)
Other economic flows – other comprehensive income for the year	14	(120)	-	(120)
Balance at 30 June 2014	**14**	**114,565**	**(33,935)**	**80,630**

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

Consolidated cash flow statement

for the financial year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from government		479,709	424,519
Receipts from other entities		105,991	133,246
Interest received		680	1,106
Total receipts		**586,380**	**558,871**
Payments			
Payments to suppliers and employees		(572,877)	(533,195)
Goods and Services Tax paid to the ATO		(13,129)	(13,220)
Total payments		**(586,006)**	**(546,415)**
Net cash flows from/(used in) operating activities	**16**	**374**	**12,456**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of non-financial assets		(5,728)	(8,711)
Net cash flows from/(used in) investing activities		**(5,728)**	**(8,711)**
Net increase/(decrease) in cash and cash equivalents		**(5,354)**	**3,745**
Cash and cash equivalents at the beginning of the financial year		19,617	15,872
Cash and cash equivalents at the end of the financial year	**6**	**14,263**	**19,617**

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

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual consolidated financial statements represent the audited general purpose financial statements for V/Line Corporation (the "Corporation") and its controlled entity V/Line Pty Ltd (the "Group") for the period ended 30 June 2014.

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

Its principal address is:

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

(i) Objectives

The objectives of V/Line are;

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

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Statement of compliance

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

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

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

These annual general purpose financial statements were authorised for issue by the Board of Directors (the “Board”) on 27 August 2014.

(b) Basis of accounting preparation and measurement

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

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

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

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

These financial statements are presented in Australian dollars and, prepared in accordance with the historical cost convention except for certain non-current physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are conducted with sufficient regularity to ensure that carrying amounts do not materially differ from fair value.

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

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

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

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

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

In addition, the Group determines whether transfers have occurred between levels in the hierarchy by 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 Valuer-General Victoria (VGV) is the Group’s independent valuation agency.

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

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

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

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

V/Line Corporation is represented by:

Investment in subsidiary	$1
Contributed equity	$1

The Corporation has no other assets or liabilities and acts as a holding company.

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

The controlled entities consolidated within the V/Line Corporation group are:

Name	Country of incorporation	Equity interest	2014 $'000	2013 $'000
V/Line Pty Ltd	Australia	100%	-	-

(d) Scope and presentation of financial statements

Consolidated comprehensive operating statement

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

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

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

Consolidated balance sheet

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

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes to the financial statements, where relevant.

Consolidated statement of changes in equity

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

Consolidated cash flow statement

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

Rounding

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

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Changes in accounting policies

Subsequent to the 2012–13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

AASB 13 *Fair Value Measurement*

AASB 13 establishes a single source of guidance for fair value measurement when it is required or permitted by another Australian Accounting Standard (AAS).

The Group has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, the Group has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of the Group. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012–13 comparatives of these disclosures have not been provided.

AASB 119 *Employee Benefits*

In 2013–14, the Group has applied AASB 119 *Employee Benefits* (Sept 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have limited impact on the Group.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the period in which the employees render the related service. However, short-term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service.

As a result, accrued annual leave balances which were previously classified by the Group as short-term employee benefits no longer meet this definition and are now classified as long term employee benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis.

Comparative amounts for 2012–13 and the related amounts as at 1 July 2012 have been restated in accordance with the relevant transitional provisions set out in AASB 119. The impact is as follows:

Impact on Comprehensive result

	2012-2013 $'000
Decrease/(Increase) in annual leave expense	(435)

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impacts on Liabilities and Equity

	As at 1 Jul 2012 as previously reported $'000	AASB 119 adjustments $'000	As at 1 July 2012 (restated) $'000
Current Employee Benefit Provision – Annual Leave	21,921	328	22,249
Accumulated deficit	(15,473)	(328)	(15,801)

	As at 30 Jun 2013 as previously reported $'000	AASB 119 adjustments $'000	As at 30 Jun 2013 (restated) $'000
Current Employee Benefit Provision – Annual Leave	21,654	763	22,417
Accumulated deficit	(26,259)	(763)	(27,022)

(f) Not for profit

The board is of the view that the consolidated entity qualifies as a not-for-profit entity since the primary obligation of the Group is the delivery of subsidised public transportation services to regional Victoria which is consistent with FRD 108A. The Group has a Services Agreement with Public Transport Victoria (PTV) which determines the services that the Group provides and the subsidy payments received for those services. Hence, the Group's funding is based on achieving a small profit or loss before interest, depreciation and tax, and neither the mission nor corporate strategies of the Group reflect achieving profit.

The Group has been deemed to have a not-for-profit status and accordingly complies with accounting standards applicable to not-for-profit entities.

(g) Going concern

Notwithstanding the deficiency in net current assets of $48.7 million (2013: $52.7 million) this financial report has been prepared on a going concern basis. The consolidated entity is subsidised by its ultimate parent entity, the State Government of Victoria, pursuant to a Services Agreement with Public Transport Victoria.

The funding requirements for the year ending 30 June 2015 have been agreed with Public Transport Victoria under an approved budget allocation pursuant to the Services Agreement. The Services Agreement contains provisions for the Corporation's funding requirements to be met by the State Government of Victoria throughout the three-year period of the Services Agreement.

The Department of Transport, Planning and Local Infrastructure (DTPLI) has agreed to provide adequate cash flow support through Public Transport Victoria to enable the consolidated entity to meet its current and future operational obligations as and when they fall due for a period up to September 2015, should this be required. This assurance from DTPLI for financial support only applies while the consolidated entity remains in full state ownership.

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

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

(h) National Tax Equivalent Regime (NTER)

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

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

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

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

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(i) Accounting for the goods and services tax (GST)

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

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

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

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

(j) Revenue

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

Ticket sales

Farebox revenue is recognised when the passenger services are provided. Revenue from tickets that relate to passenger trips to be taken after the reporting date are deferred and recognised as a liability. Farebox revenue is subject to the allocation methodologies of the V/Net and myki ticketing systems.

Contributions

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

Value in kind

Use of VLocity, diesel multiple unit trains which are leased or owned by Rolling Stock Holdings Pty Ltd are received free of charge ("Value in Kind";"VIK"). The VIK measurement is based on the value of the lease payments or the notional lease value based on the capital cost per unit of rolling stock purchased outright.

(k) Cash and cash equivalents

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

(l) Financial instruments

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

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

(m) Receivables

Receivables consist of:

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

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

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Receivables from related parties consist predominantly of amounts owing from Public Transport Victoria and DTPLI and are carried at nominal value due to their short-term nature.

There is no interest charged on related party receivables. They are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment.

(n) Inventories

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

(o) Investment in Subsidiaries

Investments in subsidiaries are carried at cost.

(p) Property, plant and equipment

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

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

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

There were no changes in valuation techniques throughout the period to 30 June 2014.

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

(i) Valuation of rolling stock and rotables

Non-financial physical assets are measured at fair value in accordance with FRD 103E issued by the Minister for Finance. A full revaluation occurs every five years, based on the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in value. Independent valuers are generally used to conduct these scheduled revaluations. Any interim revaluations are determined in accordance with the requirements of the FRDs. The next scheduled revaluation of the Group's fixed assets will be conducted in 2015.

The Group undertook an independent revaluation of its rolling stock as at 30 June 2010. The 2010 valuation was performed by rolling stock specialists and reviewed by Valuer General Victoria. Due to the specialised nature of the assets, V/Line has adopted depreciated replacement cost as the valuation basis for its rolling stock. This approach is in accordance with the requirements of AASB 116 and FRD 103E, which states that the net recoverable test does not apply to a not-for-profit entity since there is no dependence on its assets abilities to generate net cash inflows.

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

Revaluation increments or decrements are accounted for as follows;

- Net revaluation increments net of tax effect (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 increment is recognised in the net result to the extent that it reverses a net revaluation decrement in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result; and
- Net revaluation decrements 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 decrements are recognised immediately as other economic flows in the net result. The net revaluation decrement recognised in 'Other economic flows – other comprehensive income' reduces the amount accumulated in equity under the asset revaluation surplus.

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revaluation increments and revaluation decrements 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.

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

(ii) Depreciation of property, plant and equipment

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

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

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

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

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

Plant and equipment	3 to 10 years
Rolling stock	4 to 17 years
Leasehold improvements	3 to 10 years
Rolling stock –capitalised improvements	4 to 17 years

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

(iv) Leasehold improvements

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

(q) Leases

(i) Operating leases

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

(ii) Lease incentives

In the event that lease incentives are received to enter into operating leases the aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(r) Impairment of non-financial assets

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

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

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

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

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

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Other non-financial assets

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

(t) Payables

Payables consist of:

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

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(l)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and are not included in the category of financial liabilities at amortised cost because they do no arise from a contract.

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

(u) Employee benefits

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

(i) Wages and salaries and annual leave

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

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

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

(ii) Long service leave

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

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

The components of this current LSL are measured at:

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

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

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

(iii) Termination benefits

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

(iv) Employee benefits on-costs

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

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Commitments

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

(w) Contingent assets and contingent liabilities

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

(x) Significant accounting estimates and judgments

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

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

(i) Impairment

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

(ii) Allowance for impairment loss on trade receivables

There has been a $29,233 reduction in the provision for doubtful contractual receivables in 2013–14 based on a detailed analysis of the recoverability of individual accounts.

(iii) Useful lives of property, plant and equipment

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

(iv) Recovery of deferred tax asset

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

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 30 June 2014. The Department of Treasury & Finance (DTF) asseses the impact of all these new standards and advises entities of their applicability and early adoption where applicable. As at 30 June 2014, the following standards and interpretations had been issued but were not mandatory for the financial year ended 30 June 2014. The Group has not, and does not intend to adopt these standards early. AASB 119 and AASB 13 have been adopted in 2013–14 (refer Note 1 (e)).

Notes to the financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 *Financial Instruments*	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement*).	1 Jan 2017	Detail of impact is being assessed.
AASB 10 *Consolidated Financial Statements*	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014 (not-for-profit entities)	Will be adopted in the 2014/15 financial year as applicable.
AASB 11 *Joint Arrangements*	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014 (not-for-profit entities)	Not Applicable
AASB 12 *Disclosure of Interests in Other Entities*	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 *Separate Financial Statements* and AASB 131 *Interests in Joint Ventures.*	1 Jan 2014 (not-for-profit entities)	Not Applicable
AASB 127 *Separate Financial Statements*	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014 (not-for-profit entities)	Not Applicable
AASB 128 *Investments in Associates and Joint Ventures*	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014 (not-for-profit entities)	Not Applicable
AASB 1055 *Budgetary Reporting*	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within GGS, provided that these entities present a separate budget to parliament.	1 July 2014	V/Line do not present a separate budget to parliament. This Standard is not applicable as no budget disclosure is required.
AASB 1056 *Superannuation Entities*	AASB 1056 replaces AAS 25 *Financial Reporting by Superannuation Plans*. The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS.	1 July 2016	Not Applicable

Notes to the financial statements

	Notes	2014 $'000	2013 $'000
NOTE 2 INCOME FROM TRANSACTIONS			
(a) Revenue			
Farebox revenue		95,155	89,852
Inter-operator income		890	982
Franchise subsidy		296,803	297,985
Access charges		5,792	6,991
Other income		18,029	11,676
Trains received free of charge		29,225	29,225
		445,894	**436,711**
(b) Other income			
Interest-other persons/corporation		680	1,106
Government project reimbursement		130,905	87,368
		131,585	**88,474**
Total income from transactions		**577,479**	**525,185**
NOTE 3(A) OPERATIONAL EXPENSES			
Franchise performance penalty		-	6,107
Other direct costs		9,356	9,178
Fleet maintenance		80,858	77,262
Fuel costs		31,177	29,430
Road coach services		13,144	19,270
V/Line branded coach contract costs		13,568	-
Access charges		20,950	19,987
Repairs & maintenance		4,227	4,699
		173,280	**165,933**
Direct labour costs			
Salaries and wages		109,735	111,509
Superannuation		14,221	12,902
Annual leave and long service leave expense		13,900	12,785
Other on-costs (payroll tax and work cover levy)		8,447	7,632
		146,303	**144,828**
Total operational expenses		**319,583**	**310,761**
NOTE 3(B) DEPRECIATION			
Depreciation of non-current assets			
Plant and equipment	9	1,744	1,889
Leasehold improvements	9	592	590
Rolling stock	9	9,846	9,846
Rolling stock - capitalised improvements	9	7,347	7,131
Total depreciation of non-current assets		**19,529**	**19,456**

Notes to the financial statements

	Notes	2014 $'000	2013 $'000
NOTE 4 OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
(a) Net gain/(loss) on financial instruments			
Impairment of contractual receivables		(8)	(2,599)
Total net gain/(loss) on financial instruments		**(8)**	**(2,599)**
(b) Other gains/(losses) from other economic flows			
Net gain/(loss) arising from revaluation of long service leave liability		(220)	721
Total other gains/(losses) from other economic flows		**(220)**	**721**
NOTE 5(A) INCOME TAX EXPENSE/(BENEFIT)			
Accounting profit/(loss) before income tax		(9,887)	(15,530)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)		(2,966)	(4,659)
Tax expense relating to non-temporary differences		-	-
Deferred tax expense relating to reversal of temporary differences		(8)	350
Income tax expense/(benefit)		**(2,974)**	**(4,309)**
The component of tax expense/(benefit) comprises:			
Current tax		-	-
Deferred tax		(2,974)	(4,309)
		(2,974)	**(4,309)**
Weighted average tax rate		30%	28%
NOTE 5(B) DEFERRED TAX LIABILITY			
Gross deferred tax assets – temporary differences			
Carry forward tax losses		13,058	12,604
Accruals		564	1,165
Provision for employee entitlements		19,190	19,715
Other provisions		1,720	1,912
Total deferred tax assets		**34,532**	**35,396**
Deferred tax liability			
Accelerated depreciation for taxation purposes		34,733	38,580
Other		-	42
Total deferred tax liability		**34,733**	**38,622**
Net deferred tax liability		**201**	**3,266**
Movement in deferred tax liability:			
Opening balance		3,226	7,535
Equity – tax effect of asset revaluation		(51)	-
Income tax expense/(benefit)		(2,974)	(4,309)
Aggregate deferred tax liability		**201**	**3,226**

Notes to the financial statements

	2014 $'000	2013 $'000
NOTE 6 CASH AND CASH EQUIVALENTS		
Cash at bank	14,099	19,455
Cash on hand	164	162
Total cash and cash equivalents	**14,263**	**19,617**
NOTE 7 RECEIVABLES		
Current receivables		
Contractual		
Trade receivables	35,847	27,610
Other receivables	8,965	530
Provision for doubtful contractual receivables (refer also Note 7(a))	(3,048)	(3,077)
	41,764	**25,063**
Statutory		
Fuel rebate receivable from the ATO	799	764
	799	**764**
Total receivables	**42,563**	**25,827**
Related party receivables		
Trade receivables include the following receivables from related parties:		
Public Transport Victoria and Department of Transport, Planning and Local Infrastructure (formerly Department of Transport)	29,441	19,986
Other related parties	238	28
	29,679	**20,014**

Terms and conditions relating to the above financial instruments:

Credit sales are on 30 day terms.

Details of the terms and conditions of related parties' receivable are set out in Note 20.

(a) Movement in the provision for doubtful contractual receivables

	2014 $'000	2013 $'000
Balance at beginning of the year	**(3,077)**	**(478)**
Decrease/(Increase) in provision recognised in the net result	29	(2,599)
Balance at end of the year	**(3,048)**	**(3,077)**

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

(b) Ageing analysis of contractual receivables

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

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

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

Notes to the financial statements

	Notes	2014 $'000	2013 $'000
NOTE 8 INVENTORIES			
Spares and materials at cost		**9,649**	**9,273**

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

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

	Transportation & Communication		Total	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Plant and equipment				
At fair value	37,272	35,822	37,272	35,822
Accumulated depreciation	(31,209)	(29,575)	(31,209)	(29,575)
Net carrying amount	**6,063**	**6,247**	**6,063**	**6,247**
Rolling stock				
At fair value	135,849	136,017	135,849	136,017
Accumulated depreciation	(39,386)	(29,538)	(39,386)	(29,538)
Net carrying amount	**96,463**	**106,479**	**96,463**	**106,479**
Leasehold Improvements				
At fair value	6,746	6,646	6,746	6,646
Accumulated depreciation	(3,890)	(3,300)	(3,890)	(3,300)
Net carrying amount	**2,856**	**3,346**	**2,856**	**3,346**
Rolling stock – capitalised improvements				
At fair value	49,995	45,049	49,995	45,049
Accumulated depreciation	(20,993)	(13,646)	(20,993)	(13,646)
Net carrying amount	**29,002**	**31,403**	**29,002**	**31,403**
Capital works in progress	**1,838**	**2,719**	**1,838**	**2,719**
Total property, plant and equipment	**136,222**	**150,194**	**136,222**	**150,194**

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

Valuation of Rolling Stock

Our classic fleet rolling stock comprises diesel electric locomotives, carriages, diesel multiple units (known as sprinters) and vans.

An independent valuation of the classic fleet rolling stock was conducted by rolling stock specialists with an effective date of 30 June 2010, in accordance with the requirements of FRD 103E.

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

The depreciated replacement cost method was used as the primary method of valuation and provided a fair value for the rolling stock fleet as at 30 June 2010 of $136 million.

The Corporation considers that the net carrying amount of the rolling stock as at 30 June 2014 is a reasonable approximation of its fair value as at this date.

Notes to the financial statements

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

Movement in carrying amounts

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

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

	Transportation & Communication		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Plant and equipment				
Carrying amount at beginning of year	6,247	3,713	6,247	3,713
Additions	1,393	388	1,393	388
Transfers from works in progress	177	4,035	177	4,035
Disposals	(10)	-	(10)	-
Depreciation expense	(1,744)	(1,889)	(1,744)	(1,889)
Carrying amount at end of year	**6,063**	**6,247**	**6,063**	**6,247**
Rolling stock at fair value				
Carrying amount at beginning of year	106,479	116,325	106,479	116,325
Additions	-	-	-	-
Impairment	(170)	-	(170)	-
Disposals	-	-	-	-
Depreciation expense	(9,846)	(9,846)	(9,846)	(9,846)
Carrying amount at end of year	**96,463**	**106,479**	**96,463**	**106,479**
Leasehold improvements				
Carrying amount at beginning of year	3,346	3,245	3,346	3,245
Additions	38	259	38	259
Transfers from works in progress	64	432	64	432
Depreciation expense	(592)	(590)	(592)	(590)
Carrying amount at end of year	**2,856**	**3,346**	**2,856**	**3,346**
Rolling stock at cost – capitalised improvements				
Carrying amount at beginning of year	31,403	17,605	31,403	17,605
Additions	4,081	7,286	4,081	7,286
Transfers from works in progress	865	13,643	865	13,643
Disposals	-	-	-	-
Depreciation expense	(7,347)	(7,131)	(7,347)	(7,131)
Carrying amount at end of year	**29,002**	**31,403**	**29,002**	**31,403**
Capital works in progress				
Carrying amount at beginning of year	2,719	20,051	2,719	20,051
Additions	225	778	225	778
Transfers to fixed assets	(1,106)	(18,110)	(1,106)	(18,110)
Carrying amount at end of year	**1,838**	**2,719**	**1,838**	**2,719**
Total property, plant and equipment				
Carrying amount at beginning of year	150,194	160,939	150,194	160,939
Additions	5,737	8,711	5,737	8,711
Transfers from works in progress	1,106	18,110	1,106	18,110
Disposals	(10)	-	(10)	-
Depreciation expense	(19,529)	(19,456)	(19,529)	(19,456)
Transfers to fixed assets	(1,106)	(18,110)	(1,106)	(18,110)
Impairment	(170)	-	(170)	-
Carrying amount at end of year	**136,222**	**150,194**	**136,222**	**150,194**

Notes to the financial statements

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

There were no changes in valuation techniques throughout the period to 30 June 2014.

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

Table 9.3 Fair value measurement hierarchy for assets as at 30 June 2014

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

There have been no transfers between levels during the period.

Notes to the financial statements

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

Table 9.4 Reconciliation of Level 3 fair value

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

Notes to the financial statements

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

Table 9.5 Description of significant unobservable inputs to Level 3 valuation

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

Notes to the financial statements

	2014 $'000	2013 $'000
NOTE 10 OTHER NON-FINANCIAL ASSETS		
Prepayments	**4,178**	**1,206**

NOTE 11 INVESTMENTS

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

NOTE 12 PAYABLES

	2014 $'000	2013 $'000
Current payables		
Contractual		
Trade payables - unsecured	41,878	15,290
Accruals	6,104	15,636
Deferred income	836	763
Other payables	5,800	9,364
	54,618	**41,053**
Statutory		
GST payable	371	907
FBT payable	(38)	119
Other taxes payable	2,323	2,320
Superannuation payable	1,854	1,608
Work cover payable	89	(14)
	4,599	**4,940**
Total payables	**59,217**	**45,993**
Related party payables		
Amounts payable to related parties are as follows:		
Other related parties	2,103	2,459
	2,103	**2,459**

(a) Maturity analysis of contractual payables

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

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

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

Notes to the financial statements

	2014 $'000	2013 $'000
NOTE 13 PROVISIONS		
Current provisions		
Employee benefits (Note 13(a)):[i]		
Annual leave (Note 13(a)):		
– unconditional and expected to be settled within 12 months[ii]	15,313	16,245
– unconditional and expected to be settled after 12 months[ii]	1,943	2,232
Other leave (Note 13(a)):		
– unconditional and expected to be settled within 12 months[iii]	870	3,211
Long service leave (Note 13(a)):		
– unconditional and expected to be settled within 12 months[ii]	6,925	6,482
– unconditional and expected to be settled after 12 months[ii]	25,855	24,063
Other provisions – employee related (Note 13(a))	2,861	3,518
	53,767	55,751
Provisions for on-costs (Note 13(a) and Note 13(b)):		
– unconditional and expected to be settled within 12 months[ii]	3,969	4,530
– unconditional and expected to be settled after 12 months[ii]	2,435	2,337
	6,404	6,867
Total current provisions	**60,171**	**62,618**
Non-current provisions		
Employee benefits (Note 13(a))[i]		
Long service leave	6,174	6,142
On-costs (Note 13(a) and Note 13(b))	482	475
Total non-current provisions	**6,656**	**6,617**
Total Provisions	**66,827**	**69,235**
(a) Employee benefits and on-costs[i]		
Current employee benefits		
Annual Leave	17,256	18,477
Long Service Leave	32,780	30,545
Other leave	870	3,211
Other provisions – employee related	2,861	3,518
Non-current employee benefits		
Long service leave	6,174	6,142
Total employee benefits	**59,941**	**61,893**
Current on-costs	6,404	6,867
Non-current on-costs	482	475
Total on-costs	**6,886**	**7,342**
Total employee benefits and on-costs	**66,827**	**69,235**

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

(ii) These amounts are recorded at present value.

(iii) These amounts are recorded at nominal values.

Notes to the financial statements

NOTE 13 PROVISIONS (continued)

(b) Movement in provisions

	On-costs 2014 $'000	Total 2014 $'000
Current	6,404	6,404
Non-current	482	482
	6,886	**6,886**

NOTE 14 EQUITY

	2014 $'000	2013 $'000
Accumulated deficit		
Balance at beginning of the year	(27,022)	(15,801)
Net result	(6,913)	(11,221)
Balance at end of the year	**(33,935)**	**(27,022)**
Physical asset revaluation surplus		
Balance at beginning of the year	114,685	114,685
Net decrease in reserve due to impairment	(120)	-
Balance at end of the year	**114,565**	**114,685**

Notes to the financial statements

NOTE 15 FINANCIAL INSTRUMENTS

(a) Financial risk management, objectives and policies

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

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

The main purpose of non-derivative financial instruments is to prudentially manage the consolidated entity's financial risks within the government's policy parameters. The Group does not have any derivative instruments as at 30 June 2014 and 2013.

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

Categorisation of financial instruments

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

Notes to the financial statements

NOTE 15 FINANCIAL INSTRUMENTS (continued)

	Contractual financial assets – loans and receivables $'000	Contractual financial liabilities at amortised cost $'000
2013		
Contractual financial assets		
Cash and cash equivalents	19,617	-
Trade and other receivables	25,063	-
Total contractual financial assets	**44,680**	**-**
Contractual financial liabilities		
Trade and other payables	-	40,290
Total contractual financial liabilities	**-**	**40,290**
Net gain/(loss) on financial instruments by category		
Interest income	1,106	-
Total net gain/(loss) on financial instruments	**1,106**	**-**

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

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

(b) Interest rate risk

The Group's exposure to market risk is primarily through interest rate risk, while the risk to foreign exchange and equity price risks is low. The risk is the fluctuation in the AUD:USD exchange rate. The Group does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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

Notes to the financial statements

NOTE 15 FINANCIAL INSTRUMENTS (continued)

As at 30 June 2014 and 2013 the Group had no debt. The exposure to interest rate risk and the effective weighted average interest rates for financial assets at balance dates are as follows:

	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
2014			
Financial assets			
Cash and cash equivalents	14,263	-	14,263
Trade and other receivables	-	41,764	41,764
Total financial assets	**14,263**	**41,764**	**56,027**
Weighted average interest rate	2.50%	n/a	
Financial liabilities			
Trade and other payables	-	53,782	53,782
Total financial liabilities	**-**	**53,782**	**53,782**
2013			
Financial assets			
Cash and cash equivalents	19,617	-	19,617
Trade and other receivables	-	25,063	25,063
Total financial assets	**19,617**	**25,063**	**44,680**
Weighted average interest rate	2.75%	n/a	
Financial liabilities			
Trade and other payables	-	40,290	40,290
Total financial liabilities	**-**	**40,290**	**40,290**

(c) Credit risk

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

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

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

Notes to the financial statements

NOTE 15 FINANCIAL INSTRUMENTS (continued)

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

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

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

	AAA Credit Rating $'000	Other $'000	Total $'000
2014			
Contractual financial assets			
Cash and cash equivalents	14,263	-	14,263
Trade and other receivables	38,137	3,627	41,764
Total contractual financial assets	**52,400**	**3,627**	**56,027**
2013			
Contractual financial assets			
Cash and cash equivalents	19,617	-	19,617
Trade and other receivables	20,028	5,035	25,063
Total contractual financial assets	**39,645**	**5,035**	**44,680**

Ageing analysis of contractual financial assets

			Past due but not impaired				
	Carrying Amount $'000	Not past due and not impaired $'000	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	Impaired financial assets $'000
2014							
Receivables:							
Trade receivables	35,847	30,436	1,274	583	505	1	3,048
Other receivables	8,965	8,965	-	-	-	-	-
Total	**44,812**	**39,401**	**1,274**	**583**	**505**	**1**	**3,048**
2013							
Receivables:							
Trade receivables	27,610	19,129	2,863	619	1,920	2	3,077
Other receivables	530	530	-	-	-	-	-
Total	**28,140**	**19,659**	**2,863**	**619**	**1,920**	**2**	**3,077**

Notes to the financial statements

NOTE 15 FINANCIAL INSTRUMENTS (continued)

(d) Fair values

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

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

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

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

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

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

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

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	14,263	19,617
Trade and other receivables	41,764	25,063
	56,027	**44,680**
Financial liabilities		
Trade and other payables	53,782	40,290
Net financial assets	**2,245**	**4,390**

(e) Liquidity risk

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

DTPLI has agreed to provide adequate cash flow support through PTV to enable the consolidated entity to meet its current and future operational obligations as and when they fall due for a period up to September 2015, should this be required. This assurance from DTPLI for financial support only applies while the consolidated entity remains in full state ownership.

Notes to the financial statements

NOTE 15 FINANCIAL INSTRUMENTS (continued)

Maturity analysis of contractual financial liabilities

			Maturity dates			
	Carrying Amount $'000	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	5+ years $'000
2014						
Payables:						
Trade payables	41,878	-	41,332	546	-	-
Accruals	6,104	-	6,104	-	-	-
Other payables	5,800	5,800	-	-	-	-
Total	**53,782**	**5,800**	**47,436**	**546**	**-**	**-**
2013						
Payables:						
Trade payables	15,290	-	15,290	-	-	-
Accruals	15,636	-	15,636	-	-	-
Other payables	9,364	9,364	-	-	-	-
Total	**40,290**	**9,364**	**30,926**	**-**	**-**	**-**

(f) Foreign currency risk

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

(g) Sensitivity analysis

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

- The movement of 100 basis points up and down (2013: 100 basis points up and down) in market interest rates, would result in the net result increasing/(decreasing) by $143,000/($143,000)(2013: $196,000/($196,000).

Notes to the financial statements

NOTE 16 CASH FLOW INFORMATION

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

	2014 $'000	2013 $'000
Net result for the period	**(6,913)**	**(11,221)**
Non-cash movements		
Depreciation of non-current assets	19,529	19,456
Tax expense/(benefit)	(2,974)	(4,309)
Movements in assets and liabilities		
(Increase)/decrease in trade and other receivables	(16,736)	15,440
(Increase)/decrease in inventories	(376)	(2,548)
(Increase)/decrease in prepayments	(2,972)	(273)
(Decrease)/increase in trade and other payables	13,224	(5,030)
(Decrease)/increase in employee benefits	(2,408)	941
Net cash flows from/(used in) operating activities	**374**	**12,456**

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet		
Cash at bank	14,099	19,455
Cash on hand	164	162
	14,263	**19,617**

NOTE 17 RESPONSIBLE PERSONS

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

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

Responsible Ministers:

Minister for Public Transport and Roads	The Hon. Terry Mulder MP	1 Jul 2013 to 30 Jun 2014
Treasurer	The Hon. Michael O'Brien MP	1 Jul 2013 to 30 Jun 2014

Accountable Officer:

The person who held the position of Accountable Officer during the year ended 30 June 2014 was:

Chief Executive Officer	Mr T Taifalos	1 Jul 2013 to 30 Jun 2014

Notes to the financial statements

NOTE 17 RESPONSIBLE PERSONS (continued)

Directors of the Board:

The Directors of the parent entity during the year ended 30 June 2014 were:

Mr Hector McKenzie

Ms Moana Weir

Mr Jack Diamond

Ms Susan Oliver

Mr John Wilson

Dr Joshua Wilson QC

Ms Marion Macleod

Ms Amanda Derham

Mr David Harris

Ms Deborah Spring

Ms Moana Weir, Mr Jack Diamond and Ms Susan Oliver ceased to be Directors of V/Line Corporation on 30 September 2013 and also resigned as Directors of V/Line Pty Ltd on 1 October 2013.

Ms Amanda Derham and Ms Deborah Spring were appointed as a Director of the V/Line Corporation on 1 October 2013.

Mr David Harris was appointed as a Director of V/Line Corporation on 3 December 2013.

All Directors listed above with the exception of Ms Moana Weir, Mr Jack Diamond and Ms Susan Oliver were as at 30 June 2014 Directors of V/Line Pty Ltd which forms part of the consolidated entity.

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Corporation during the reporting period was in the range of $450,000 - $459,999 ($620,000 - $629,999 in 2012–13). The base remuneration received by the Accountable Officer during the reporting period was in the range of $450,000 - $459,999 ($550,000 - $569,999 in 2012–13).

The total remuneration paid or payable to all Directors during the reporting period was $231,364 ($226,605 in 2012–13).

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

	2014 No.	2013 No.
Income band		
$0 - $ 9,999	3	-
$10,000 - $19,999	1	1
$20,000 - $29,999	4	3
$30,000 - $39,999	1	2
$40,000 - $49,999	-	-
$50,000 - $59,999	1	1

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

Notes to the financial statements

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

(a) Remuneration of executives

The number of Executive Officers, other than the Accountable Officer and Directors and their total remuneration during the reporting period is shown in the table below in their relevant income bands. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Several factors affected total remuneration payable to executives over the year. A number of executive officers resigned or were retrenched in the past year. This has had a significant impact on total remuneration figures due to the inclusion of annual leave, long service leave payments and retrenchment payments.

Income Band	Total Remuneration		Base Remuneration	
	2014 No.	2013 No.	2014 No.	2013 No.
\$110,000 - \$119,999	1	-	1	-
\$120,000 - \$129,999	1	-	1	1
\$130,000 - \$139,999	1	-	1	-
\$140,000 - \$149,999	-	1	-	-
\$150,000 - \$159,999	-	-	-	1
\$160,000 - \$169,999	2	2	2	1
\$170,000 - \$179,999	-	-	-	-
\$180,000 - \$189,999	-	-	-	1
\$190,000 - \$199,999	-	-	-	-
\$200,000 - \$209,999	1	1	1	1
\$210,000 - \$219,999	1	-	1	-
\$220,000 - \$229,999	-	1	-	1
\$230,000 - \$239,999	1	1	1	3
\$240,000 - \$249,999	1	-	1	-
\$250,000 - \$259,999	1	3	1	-
\$260,000 - \$269,999	1	-	1	-
Total number of executives	**11**	**9**	**11**	**9**
Total annualised employee equivalent (AEE) (i)	**9**	**8**	**9**	**8**
Total amount	**\$2,463,807**	**\$1,902,708**	**\$2,458,807**	**\$1,754,055**

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

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

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

Expense Band	Total expenses (exclusive of GST)	
	2014 No.	2013 No.
\$190,000 - \$199,999	1	-
Total expenses (exclusive of GST)	**\$195,000**	**-**

Notes to the financial statements

NOTE 19 REMUNERATION OF AUDITORS

	2014 $'000	2013 $'000
Amounts received or due and receivable by the auditors for auditing the group:		
– audit of the financial statements – Victorian Auditor General's Office	92	87
	92	**87**

NOTE 20 RELATED PARTY DISCLOSURES

Related party	Nature of transaction	Terms and conditions	2014 $	2013 $
Payments				
Public Transport Victoria (PTV)	Provision of network marketing and customer information services including operation of a call centre	In accordance with the Services Agreement	3,297,717	3,241,161
Victorian Rail Track	Provision of communication services	In accordance with agreement between the parties	11,780,478	15,091,842
Public Transport Victoria (PTV)	Miscellaneous payments made under the Operating Performance Regime	In accordance with the Services Agreement	-	6,717,729
Transport Ticketing Authority	Reimbursement of Accounts Receivable staff salary and wages	In accordance with agreement between the parties	-	22,210
Receipts				
Public Transport Victoria (PTV)	Provides funding to the Corporation	In accordance with the Services Agreement	326,483,774	327,783,500
Public Transport Victoria (PTV) and Department of Transport, Planning and Local Infrastructure (formerly Department of Transport)	Reimbursement of project expenditure and other miscellaneous expenses	In accordance with agreement between the parties	150,917,031	118,007,855
Victorian Rail Track	Management fee for rent collection	In accordance with agreement between the parties	19,608	-
Victorian Rail Track	Network access charges & reimbursement of project expenditure & other miscellaneous expenditure	In accordance with agreement between the parties	474,970	59,034

All amounts disclosed above are inclusive of GST.

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

Notes to the financial statements

NOTE 21 COMMITMENTS FOR EXPENDITURE OTHER THAN PUBLIC PRIVATE PARTNERSHIPS

Commitments for future expenditure primarily relate to the lease of tool of trade, vehicles and plant and equipment. There are also commercial lease agreements in relation to tenancy at 628 Bourke Street Melbourne and 750 Collins Street Docklands which expire in 2015 and 2019 respectively and include fixed rate increases of 3.5% at the dates specified in the agreements. The total operating lease expense for the year was $5.1 million (2013: $4.9 million).

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

Commitments for minimum contractual payments are payable as follows:

Commitments payable

Nominal values	**2014 $'000**	**2013 $'000**
Operating and lease commitments payable		
Less than 1 year	7,298	5,463
Longer than 1 year but not longer than 5 years	15,277	8,809
5 years or more	585	1,956
Total operating lease commitments	**23,160**	**16,228**
Other Commitments payable		
Less than 1 year	4,071	-
Longer than 1 year but not longer than 5 years	15,840	-
5 years or more	-	-
Total other commitments	**19,911**	**-**
Total commitments (inclusive of GST)	**43,071**	**16,228**
Less GST recoverable from the ATO	3,915	1,475
Total commitments (exclusive of GST)	**39,156**	**14,753**

Notes to the financial statements

NOTE 22 SUPERANNUATION

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

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

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

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

	Paid contribution for the year		Contributions outstanding at year end	
Fund	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Defined benefit plans [i]				
State Superannuation Fund – revised and new	5,971	5,636	522	489
Transport Superannuation Fund	1,878	1,605	187	172
Total defined benefit plans	**7,849**	**7,241**	**709**	**661**
Defined contribution plans				
VicSuper	5,170	4,580	736	638
Various other	2,526	2,169	408	309
Total defined contribution plans	**7,696**	**6,749**	**1,144**	**947**
Total superannuation plans	**15,545**	**13,990**	**1,854**	**1,608**

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

Notes to the financial statements

NOTE 23 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Prior to 30 June 2014, there had been a number of incidents and events on the network such as the 2011 floods on the freight network in central to northern Victoria that caused significant damage to the rail infrastructure. Under the Services Agreement and the Regional Infrastructure Lease, V/Line in consultation with Public Transport Victoria is required to repair the damage sustained. Our maximum exposure is generally limited by the excess stated in the insurance policy that is held with the Victorian Managed Insurance Authority in the names of Public Transport Victoria and V/Line. Any proceeds of insurance received by V/Line are applied towards the cost of reinstatement with any differential in payments between the insurance payments and actual repair costs for works undertaken being funded by Public Transport Victoria.

In May 2014, the Group re-negotiated its fleet maintenance contract with Bombardier. This contract makes provision for Bombardier to be paid a KPI payment in the event that certain reliability & availability targets are met. Under the contract, the minimum annual KPI payment payable is $0, and the maximum annual KPI payment is approximately $1.9 million. Under the contract Bombardier was required to secure a performance bond with a financial institution to the value of $5.0 million which the Group is able to access in the event that Bombardier fails to meet its obligations under the contract.

On 28 May 2008, the EPA issued V/Line with a clean up notice requiring the clean-up of contaminated railway land in Ararat. A clean-up plan was prepared, however the zoning of a small portion of the railway property as residential land has delayed its implementation. As options for rezoning the land have been exhausted, the plan will be reviewed during 2014–15 to account for this residential zoning and revised cost estimates prepared. At this time the costs of clean up are estimated to be less than $1 million. V/Line anticipates that the costs of the clean-up will be recovered from Public Transport Victoria as the contamination is pre-existing as defined within the Regional Infrastructure Lease.

NOTE 24 SUBSEQUENT EVENTS

On the 11 July 2014, an XPT passenger train derailed between Southern Cross Station and North Melbourne Station. No one was injured and the train sustained minor damage. There is an ongoing investigation being conducted by Australian Transport Safety Bureau and currently the outcome is unknown.

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

NOTE 25 ECONOMIC DEPENDENCY

The Group provides public transport services to rural and regional Victoria and is also responsible for the management and maintenance of the rail network. The provision of these services is subsidised by the State Government of Victoria. Without the provision of that subsidy the Group could not continue as a going concern. The subsidy requirements for the period up to 30 September 2015 have been approved by the State.

NOTE 26 DIVIDENDS

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

V/Line's statement of corporate intent

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

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

About V/Line

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

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

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

Key performance Indicators include: Serious Injury Frequency Rate (SIFR); Signals Passed at Danger (SPADs); service delivery; customer satisfaction, financial performance and patronage levels.

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

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

Disclosure index

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

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ACCESSIBILITY

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