ANNUAL REPORT | 2012 – 2013

V/Line

Contents

About us

V/Line is Australia's largest regional public transport operator. In 2012–13 it served 14.72 million train and coach passengers.

Each week there are more than 1400 train services that run between Melbourne and:

- Geelong (including South Geelong and Marshall) and Warrnambool
- Ballarat (including Wendouree), Ararat and Maryborough
- Bendigo (including Eaglehawk), Swan Hill and Echuca
- Seymour, Albury/Wodonga and Shepparton
- 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 coach services also travel through to South Australia, New South Wales and the Australian Capital Territory. Private sector buses, under contract with Public Transport Victoria, provide the majority of V/Line coach services. However, management of these contracts is expected to transfer to V/Line in 2013-14.

In addition to being a passenger service operator, V/Line also provide access to, and maintain, 3420 kilometres of rail track used by passenger and freight rail services.

V/Line is a major employer with a workforce of 1493, 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 V/Line's key activities and financial performance for the period 1 July 2012 to 30 June 2013.

Vision

A connected and prosperous regional Victoria.

Mission

To deliver customer-focussed, 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

The way we do business	
Shaping our business model, practices and systems	Optimised allocation and utilisation of our resources Efficient and effective business practices Maximising value for money
Strengthening our culture and workforce	The culture of a modern and capable organisation Mobilising the talent and potential of our workforce Improved productivity, responsibility and accountability
Building productive relationships	Achieving mutual value through successful partnerships Being a valued adviser on transport matters

The business we do	
Service delivery	Delivery of our mission Satisfied, well informed, engaged customers Seamless end to end customer journeys
Asset stewardship	Optimise the utility of transport assets Optimising track access provision
Major project delivery and integration	Operational readiness for myki and RRL Enhanced major project capability and capacity

Letter to the Ministers

12 September 2013

The Hon. Terry Mulder MP
Minister for Public Transport
Level 16, 121 Exhibition 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 2012 to 30 June 2013.

Yours faithfully

Hector McKenzie
Chairperson

Network map

MAP NOT TO SCALE
Effective January 2013

Chairperson's report

The 2012–13 year was marked by significant change in the governance and management of V/Line. Dr Josh Wilson SC and Ms Marion Macleod were welcomed onto the Board, a new Chairperson was appointed on 1 July and, following an extensive search, on 20 May 2013, Mr Theo Taifalos was appointed as V/Line's new Chief Executive Officer. These changes have been accompanied by a robust review of many aspects of the V/Line business and the development of a comprehensive transformation program that commenced this year and will gain momentum throughout financial year 2013–14.

The year was a difficult one in regard to service delivery. We experienced a number of significant infrastructure problems which required services to be cancelled while the repairs took place. Significant progress has been made to identify the causes and commence implementation of remedial actions and it is expected that financial year 2013–14 will see significant improvements in this area.

At the same time fantastic progress was made in the construction of the Regional Rail Link, the Government announced a further order of 40 VLocity carriages and myki came to stations in regional Victoria – with indications to date that it is welcomed by both customers and staff.

There will continue to be some disruption to services to facilitate the construction of the Regional Rail Link – the biggest rail project in Victoria's history. With the progress that has been made to date, V/Line's customers can begin to look forward to progressively reaping the benefits of this project as sections are completed, commissioned and handed over to V/Line.

I believe that this year has seen the foundations laid for V/Line to improve the quality of the services that we deliver to our customers while at the same time improving our effectiveness and efficiency. In the next 12 months we aim to build on this work to ensure that V/Line delivers on its aspiration to make a significant contribution to delivering a prosperous and connected regional Victoria.

Hector McKenzie
Chairperson

CEO's report

Since taking up the position of CEO on 20 May 2013, I have made my way around the regional centres and the many workplaces where V/Line operates. As the largest public transport operator in regional Victoria, it is often referred to as the lifeblood of the country, and for good reason. For many of our customers, our services provide a means of getting to and from work, school, appointments and events. Often our fundamental role is to provide connectivity for our customers and with that comes great responsibility.

Central to our obligations is to continue to provide safe, reliable, affordable and efficient passenger train and coach services for all Victorians. Additionally, it is our collective responsibility as a business to be a corporate citizen of the highest standard, acting in the best interests of our customers, our freight and steam operators, our local communities and providing transparency and accountability to government.

V/Line's key focus for the year ahead incorporates the major themes of Safety, Operational Efficiency, Leadership Culture, Organisational Effectiveness and Operational Excellence.

In line with these imperatives, and in order to best respond to them, I've remodelled the corporate structure, defined a clear set of transformation initiatives, and started making progress around these themes. Our focus will remain on creating a safety culture and working towards the goal of zero harm, while improving overall customer experiences.

V/Line is an organisation that is achieving great things, while it also has the potential to be an industry leader and an example of best practice – not just within Australia, but globally. With the help of the Executive Team, I will take V/Line into the future and strive for continuous improvement and customer excellence.

Our values

An organisation's vision and mission should inspire and reflect what is expected from its staff. Good values need to be aligned with our strategic direction and changes have already been made within the business to better represent V/Line's culture and goals.

V/Line's vision and mission were updated in 2013 to lead improvements in the delivery of customer-focussed services, safety and efficiency in the way we do business.

Our vision now reflects our commitment to enriching the lives of our customers and the prosperity of regional Victoria. The mission recognises that safety is paramount to our operations and that we must be a highly skilled, customer-centric organisation. It defines our core business of integrated rail, coach and freight access services and reflects that performance and productivity must be measured and continually improved.

Our refreshed strategic vision will shape a stronger and more accountable V/Line heading into 2013-14.

Safety

V/Line has a very good record when it comes to safety thanks to a dedicated team and comprehensive risk management system, but as the new CEO my goal is and will always be zero harm.

During the past year there have been some great achievements in the area of safety: the implementation of national rail safety regulations; rail safety accreditation (Victoria and NSW); introduction of a track inspector training program; and the purchase of a driver simulator that assists in route knowledge, fault finding and emergency training.

Our annual level crossing safety campaign was launched in the weeks following my arrival and I was pleased to participate in the *Don't push your X-ing luck* media launch in Ballarat. The campaign is a joint initiative between V/Line and Victoria Police, focussing on safe behaviour at level crossings. With statistics telling us that dangerous behaviour is increasing, we will remain vigilant in our messaging around level crossing safety. Everybody has a right to be safe – staff, customers, pedestrians and motorists – and I look forward to being involved in more campaigns in 2013–14.

Ongoing challenges

Two significant infrastructure problems have impacted V/Line's ability to deliver services to customers in 2013 – level crossing safety issues on the Gippsland line and the removal of 22 Z carriages from the fleet.

Since March, coaches have been replacing trains between Traralgon and Bairnsdale due to safety concerns around the activation of level crossings on this section of track. Restoring services is a priority and specialist equipment has now been sourced from Austria to tackle this issue. Work will begin in September with the resumption of services in October 2013.

V/Line has also been operating with a reduced fleet since January as a result of defective wheel bogies on 22 of our Z class carriages. These carriages have wide doors for wheelchair access and their absence from the fleet has been felt by customers with accessibility needs. We have already returned some carriages into service and we are working hard on returning the rest as safely as possible. In the interim, we are providing replacement transport options to provide customers with a safe and comfortable alternative to meet their travel needs.

Infrastructure work gangs, customer service staff and third-party suppliers have been working diligently on both these issues and their dedication and continued effort to restore services is greatly appreciated.

CEO's report

I'd like to thank our customers and the community at large for their patience and continued support, and thanks also to our Stakeholders for their understanding when we needed to respond so quickly to these two safety related issues. Rest assured, V/Line is 100 per cent committed to returning train services back to the normal operational standard customers should expect.

New structure

V/Line needs to focus on becoming 'one team' to enhance and improve our customer service model and delivery.

The new structure was communicated widely throughout the organisation and all staff were encouraged to provide feedback. More than 150 comments were received and valuable feedback was incorporated.

The structure heading into 2013–14 will be made up of the following functions:

Asset Management: Includes infrastructure and rolling stock and responsible for capital project management and delivery, particularly our interface with the Regional Rail Link Project.

Service Delivery: Incorporates the service delivery responsibilities of operations and network services.

Customer: Has customer responsibilities including frontline staff and Authorised Officers, as well as marketing and stakeholder relations.

Safety: Includes incident management, safe-working, security, risk and environment.

Enterprise Governance and Risk: Comprises contract, Company Secretary and legal, commercial, internal audit, corporate and compliance and franchise management groups.

Finance: Corporate and finance management, strategic planning and business planning.

Human Resources: Recruitment, training, industrial relations and organisational development.

Executive General Manager positions will head up the Asset Management, Service Delivery, Customer, and Enterprise Governance and Risk divisions. These roles will be established by the end of 2013 and will be accountable for managing the transition to the new reporting lines.

myki

A new era began for V/Line on 24 June 2013 with the introduction of myki to the Seymour line. Other commuter lines (Traralgon, Bendigo, Ballarat and Geelong) were scheduled to be using myki by the end of July 2013.

The take up by Seymour line commuters was very encouraging with around 40 per cent switching to the new ticketing system in the first week.

All periodical tickets will move to myki by the end of September 2013 and it is expected most customers will make the switch once the benefits are realised. Our customers will enjoy using just one card to travel seamlessly across much of Victoria and V/Line staff are also excited by the flexibility of the new system and the move away from the paper ticket.

Patronage and financial performance

As a result of the Sunbury Electrification Project, V/Line lost almost 615,000 passenger trips from the end-of-year tally in 2012–13. Combined with a loss of 250,000 trips due to track works, line closures and rail replacement coaches, V/Line's overall patronage figure was down 5.4 per cent. Despite this, the Geelong and Seymour lines maintained their record levels of last year, and the Ballarat line increased by 2.4 per cent. The Gippsland line dipped due to line closures and the Bendigo line was the most affected (a loss of 20 per cent) by the loss of Sunbury customers on completion of the Sunbury Electrification Project.

V/Line reported a loss of $10.9 million after income tax predominantly as a result of train replacement coaches due to track works and the removal of Z carriages from the fleet. Our total income was $525.2 million for 2012–13. There was a farebox increase of $3.9 million driven by a 6.8 per cent fare increase introduced at the beginning of 2013. Freight volumes on the network grew again this year from $6.2 million to $7 million thanks to strong grain harvests.

CEO's report

Regional Rail Link

Australia's largest public transport infrastructure project is a $4.8 billion exercise in progress – Regional Rail Link (RRL) will improve reliability and frequency of trains and provide thousands of jobs for Victorians. On completion in 2016, the project will add 33 extra peak services to the metropolitan and regional network, allowing more than 54,000 extra passenger trips each day.

By June 30, RRL was on track to deliver major benefits to the Geelong, Ballarat and Bendigo lines with V/Line locking in a $207 million order for 40 additional VLocity carriages to run on the network.

Removing regional trains from the metropolitan system will significantly improve the reliability of rail services, with metropolitan and regional trains no longer affecting each other and causing delays.

RRL construction continues into 2014 with major works at new and upgraded stations, significant road works to remove two level crossings at Anderson Road in Sunshine and extensive track and signalling works.

Awards

Victoria has a $15.9 billion tourism industry and sustains a tourism workforce of around 204,000 Victorians. V/Line works hard to promote travel and provide support to regional communities with the business receiving several awards in 2012–13.

V/Line took out the coveted Major Tour and Transport Operator award in November in the annual RACV Victorian Tourism Awards. V/Line was honoured to be recognised by the tourism industry which rewards excellence, innovation and commitment.

The business also won a prestigious award from the International Association of Public Transport. The Asia Pacific Region Customer Service Award was received for the My Line initiative with V/Line judged the winner out of 26 public transport operators in the Asia Pacific region.

The Cannes Lions International Festival of Creativity is the world's biggest celebration of creativity in communications and V/Line clinched three awards for the *Guilt Trip* campaign.

V/Line was also a state finalist in the Australian Marketing Institutes Awards for Marketing Excellence with our in-house produced campaign *Sink your teeth into summer* with the Melbourne Aquarium.

Acknowledgment

I wish to acknowledge and thank Minister for Public Transport Terry Mulder and the V/Line Board for selecting me to lead V/Line into the future.

To Chairperson Hector McKenzie and V/Line Directors, thank you for your support since my appointment.

I have been impressed by V/Line staff's professional and courteous attitudes. I'm heading up a team of capable and talented people and Victorians should be confident that V/Line will continue to go from strength to strength into 2013–14 and beyond.

Theo Taifalos
Chief Executive Officer

Facts and figures

	2012-13	2011-12
Total customer trips (train & coach)	14,715,601	15,554,638
• Train passenger trips	13,230,402	13,996,634
• Coach passenger trips	1,485,199	1,558,004
Tickets sold	5,777,525	5,880,300
Farebox revenue	$89.852 million	$85.895 million
Farebox (% breakdown)	69% full fare	69% full fare
	31% concession	31% concession
Subsidy per passenger	$20.25	$18.27
Safety		
All of V/Line lost-time injury (LTI) rate per million hours worked within V/Line's control	7.6	9.2
Customer incidents within V/Line's control per million passengers – requiring medical assistance	.30	0.57
Signals passed at danger (SPADs per million km) – human factor	1.96	0.75
Fleet		
• VLocity carriages	134	134
• Locomotives	41	41
• Loco-hauled carriages	133	133
• Sprinters (single unit)	21	21
Stations		
	85	85
Customers		
Customer satisfaction index (PTV target 68) – trains	69.8	71.2
Customer satisfaction index – coaches	74.7	73
No. of customer information enquiries	507,392	751,122
No. of customer feedback cases (includes free travel)	13,360	19,794
No. of on-train consultation sessions with customers	12	12
Compensation paid to customers for V/Line not meeting on-time targets (complimentary ticket value)	$128,125	$150,218

Facts and figures

	2012-13	2011-12
Employees		
Full-time equivalent staff	1402.5	1387.4
Total head count	1493	1460

Operations

Reliability overall (commuter & long-distance services, average monthly performance)	97.4	97.8
Reliability – commuter	97.4	97.6
Reliability – long distance	97.3	99.4
Punctuality overall outside Metro network (commuter & long distance services on time to 5 and 10 minutes respectively, average monthly performance)	94.2	96
Punctuality – commuter on time to 5 minutes	85.1	87.3
Punctuality – long distance on time to 10 minutes	77.1	81.1
No. of services run – commuter	57,927*	60,509
No. of services run – long distance	12,113	11,758

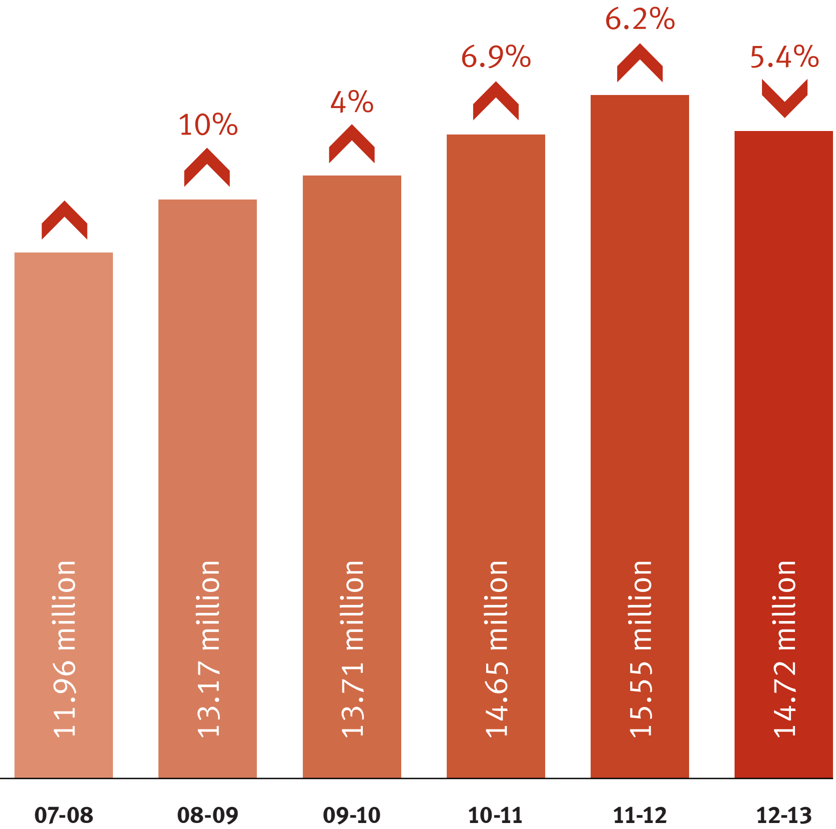
Finance

Total income	$525.185 million	$545.353 million
Total expenses	$540.280 million	$543.630 million
Income tax expenses	$4.178 million	$96 thousand
Net result	**($10.917) million**	**$1.819 million**

* The decrease in commuter services was a result of track works and the electrification of the metropolitan line to Sunbury.

Patronage

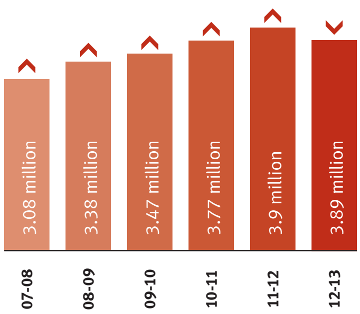
V/Line train and coach passenger trips over five years



Train patronage by line

Geelong

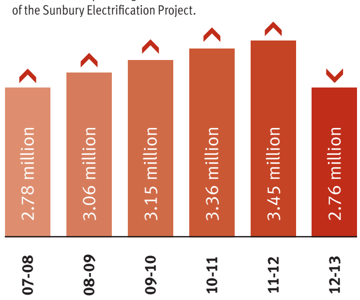
26.2% over 5 years



Bendigo

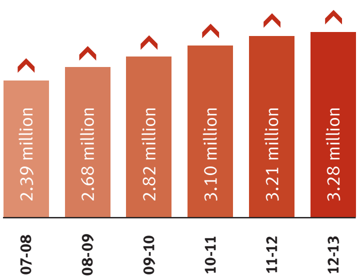
-0.7% over 5 years*

* The decrease in patronage was a result of the Sunbury Electrification Project.



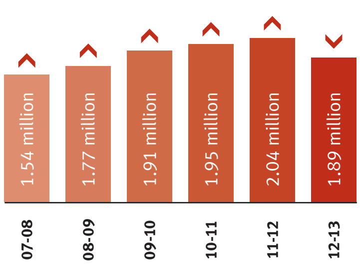
Ballarat

37.2% over 5 years



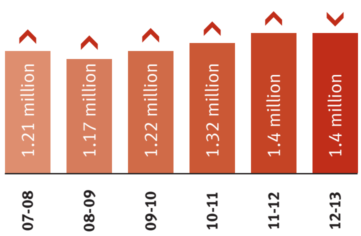
Gippsland

22.7% over 5 years



Seymour

15.7% over 5 years



Safety and security

The Safety, Security and Environment group (SS&E) drives safety awareness, safe working practices and identifies and manages risk at every level of the organisation.

Measuring safety performance

There are several indicators V/Line uses to measure its safety performance:

- Lost time injury frequency rate (LTIFR)
- The number and severity of health and safety incidents involving customers
- Signals passed at danger by trains (SPAD)
- The number of level crossing incidents (excluding trespasser incidents) involving road vehicles with/without loss of life.

In 2012–13, V/Line recorded an improved and encouraging LTIFR result of 7.6 incidents per million hours worked (from 9.2 incidents per million hours in 2011–12).

A key factor contributing to this downward trend was the development of comprehensive safety plans for each V/Line department, focussing on specific safety issues in each area. These plans targeted and addressed safety issues and raised overall safety awareness.

The incidence of customer health and safety incidents that required medical assistance improved on the previous year, with a result of 0.30 incidents per million passenger journeys (0.57 in 2011–12). The most common injuries were slips, trips and falls on platforms or walkways and when boarding or exiting a train. A successful customer-focussed safety action plan was rolled out to specifically address hazards at customer areas such as stations, platforms and access ways and resulted in a reduced number of customer incidents.

The SPAD measurement of 1.96 per million km travelled was an increase on the 2011–12 result of 0.75. In response, V/Line has put in place specific safety initiatives to address the increase including a SPAD action plan which was implemented in November 2012. The action plan included a SPAD awareness DVD, increased SPAD driver supervision, and a SPAD awareness poster campaign in early 2013. In addition, a situation awareness training module was introduced into driver refresher training which focussed on SPAD mitigation. Despite the increase for 2012–13, V/Line's SPAD result continues to represent industry leading performance.

Managing safety risks

V/Line has a constant focus on identifying and mitigating risks across the business. The SS&E team drives this risk management process with input from all other departments. Ongoing development and refinement of V/Line's safety risk management system continued in 2012–13, with a focus on ensuring key risks are being reviewed on a regular basis and continue to be controlled so far as reasonably practicable.

Security and incident response planning

The SS&E team carried out a number of initiatives this financial year to improve security and emergency response capability on our network including:

- Development of an Emergency Management Team (EMT) training program to better equip them to respond to critical incidents.
- Facilitating a collaborative training initiative with Emergency Services (Victoria Police, MFB, CFA and the SES) regarding V/Line emergency response procedures.
- Upgrading of physical security systems and programs including CCTV, access control systems and fencing installations at various locations.
- Assisting with the successful introduction of Protective Services Officers on the V/Line network.

The outcome of the work has been positive and will ensure improved passenger and staff safety over the Victorian rail network and further enhance our internal safety systems.

Safety and security

Level crossing upgrades

In 2012–13 significant level crossing upgrade works have been undertaken across our network to reduce risk and improve levels of safety. The upgrade program delivered 29 crossing upgrades, providing increased levels of safety protection. A further 25 are to be upgraded over the coming two years. V/Line has continued to work on reducing level crossing risk by taking a holistic approach to risk management. A number of key activities include:

- Reduced rail speeds for Diesel Multiple Units at passive level crossings to 75 km/h.
- $3 million line of sight works to improve visibility at passive crossings.
- Actively pursuing opportunities for crossing closures and restricted access.
- Advocating for reduced road speeds on approach to crossings – an 80 km/h limit now applies.
- Leading rail participation in technology trials (radio break-in, low cost warning device, dedicated short range communications, mirrors).

Investing in level crossing upgrades will ensure V/Line continue to improve on the level of safety provided.

Rail Safety Awareness

To complement the level crossing upgrade program, the SS&E team also worked with the Marketing & Stakeholder Relations department to raise awareness of level crossing safety in the public arena.

For the past two years V/Line has teamed up with Victoria Police to target level crossing safety across the state. The blitz on pedestrian and motorist behaviour around regional level crossings entered its second successful year, with fines issued to people taking risks and flouting the law.

The *Don't push your X-ing luck* rail safety awareness campaign ran a series of awareness and enforcement activities during June 2013 that focussed on pedestrian and vehicle crossings at 15 locations across the state.

V/Line also developed a rail safety film in conjunction with year 10 media students from Castlemaine Secondary School and a local film maker. *In their shoes* is a film, by youth, for youth, and successfully premiered as part of the Castlemaine State Festival in March 2013. It will form part of V/Line's rail safety education programs targeting teenagers in 2013–14.

Customers

In 2012–13 V/Line served 14.72 million train and coach passengers, a 5.4 per cent decrease on the previous year's tally of 15.5 million.

Sunbury and Diggers Rest stations on the Bendigo line became part of the metropolitan network in November 2012, boosting available train services for Sunbury residents from 298 per week with V/Line, to 489 with Metro Trains. This increase of 64 per cent in services – while a boon for Sunbury and Diggers Rest customers – impacted V/Line's patronage figures.

The Bendigo line saw the biggest reduction with 20 per cent fewer passenger train trips in 2012–13. This freed up carriages which were added to busier lines in the November timetable change.

The Ballarat line saw the greatest growth with an increase of 76,000 passenger trips (up 2.4 per cent) thanks, in part, to extra services added to the timetable in November. The Geelong and Seymour lines maintained the record levels of last year despite regular track works.

Gippsland line patronage was reduced due to line closures with passenger trips dropping below two million. Culvert works as a result of flooding near Morwell saw sections of the line closed for almost seven weeks and level crossing safety concerns between Traralgon and Bairnsdale closed the track from late March 2013.

V/Line had almost 615,000 fewer train passenger trips as a result of Sunbury electrification, combined with a further loss of 250,000 trips due to track works, line closures and rail replacement coaches.

Despite a year of constant track work as the Regional Rail Link Project progressed, V/Line patronage has still grown by 23 per cent in the past five years.

Customer communication

Getting information to customers, particularly during times of disruption, continued to be a focus for the business.

Following customer feedback in January 2012, customer communication officers were employed to provide real-time information when services are delayed.

The proliferation of smart phone and tablet devices with faster and more reliable internet connectivity, is being reflected in increasing numbers of people using social media and our mobile website to access information.

Twitter saw the greatest increase on 2011–12, with followers increasing from 5000 to 9200 in 2012–13. Twitter has been particularly useful during disruptions with messages being posted at the same time as SMS updates, allowing broader distribution of information.

Launched just 18 months ago, our Facebook page now has 15,300 people who 'like' the page and can interact with each other and have basic questions answered.

There were around 85,000 visits to the website and 13,000 visits to the mobile website every week. The My Line section, which divides information into the five corridors and has updates specific to customers' needs saw 5000 visits per week.

V/Line launched the Escape app in November 2012, building on the success of the Escape finder which promotes Victorian tourism and V/Line as the best way to travel. The app features more than 300 tourism destinations easily accessible via V/Line train and coach services and had more than 17,000 downloads in just eight months.

A new commuter app for customers to access train service information and timetables on their smart phones was launched on 28 June 2013. The My Line app for iPhone and Android devices provides updates tailored to the travel patterns of every customer. The app also delivers push notifications about disruptions to services on a selected line.

Customers

Partnerships

V/Line's partnership strategy saw us continue our work with industry stakeholders, tourism operators and organisations to offer customers value-add incentives for travelling on V/Line and an opportunity to combine marketing budgets for co-branded tourism campaigns.

In 2012–13 V/Line partnered with the NGV to promote *Monet's Garden: The Musee Marmottan Monet, Paris*, the stunning exhibition devoted to Claude Monet's iconic garden at Giverny. We supported the NGV's *Australian Impressionists in France* at the Ian Potter Centre and *Hollywood Costumes* at ACMI. All exhibitions offered discounts to V/Line ticket holders and were promoted broadly in regional Victoria.

We continued our partnership with Sovereign Hill in Ballarat, operating a daily connecting rail/bus service, the 'Goldrush Special'. Customers also received a 10 per cent discount on the entry price to Sovereign Hill and a free Cobb & Co Coach ride.

Commercial partnerships increased in 2012–13 by offering businesses the opportunity to advertise on the outside of our trains. While V/Line has been 'wrapping' trains with partner attractions and events for several years, this year revenue generating advertising started. Advertising space was sold on VLocity trains and billboards at regional stations.

V/Line was again the premier partner of the biennial Castlemaine State Festival which was held 15–24 March. There was an 11 per cent increase in patronage compared with the festival period in 2011 and a high unprompted sponsor recall rate of 76 per cent.

On Sunday 21 October 2012, 150 years of rail was celebrated in Castlemaine and Bendigo with community events held in both towns. More than 3000 people attended the Bendigo event where the R71 steam locomotive returned to Bendigo for the first time since its extensive restoration. A smaller event in Castlemaine saw more than 750 people visit the station precinct to enjoy the family-friendly activities on offer.

Quiet carriages

In a first for Victorian public transport, V/Line trialled quiet carriages in January in response to customer requests for peaceful travel.

While there was no penalty for breaking the rules, the project focussed on promoting courtesy and respecting quiet carriage etiquette.

The response to the trial has been overwhelmingly positive and it's likely quiet carriages will become a permanent fixture on our services in 2013–14.

Accessibility Action Plan

V/Line supports the objectives outlined in the requirements of the Federal *Disability Discrimination Act 1992* (DDA) and the Disability Standards for Accessible Public Transport 2002 (DSAPT).

V/Line's Accessibility Action Plan 2012 – 2015 has been drafted following consultation with customers, disability advocates, Public Transport Ombudsman and other key disability advisory groups. The outcome is a solid plan that addresses the four priority areas of customer service, consultation and community engagement, access to public transport and access to facilities. In 2012–13 we achieved the following in each category:

- Introduction of an accessibility checklist in the Call Centre and training of 92 agents to improve the wheelchair booking process.
- Undertaking (in partnership with Scope and LaTrobe University) focus groups and interviews with staff and customers to understand the scale and nature of issues related to communication access on V/Line services.
- A permanent allocated space for wheelchairs in all V/Line contracted coach services, removing the requirement for customers to book 24 hours in advance.
- Platform surfaces renewed and tactiles installed at Yarragon, Benalla, Wangaratta, Drouin, Tynong, Ballarat, Malmsbury, Dingee, Gisborne and Camperdown stations.

Customers

Customer consultation and feedback

The customer feedback team achieved strong results this year, consistently exceeding the SLA (Service Level Adherence) which sets a target of acknowledging customer feedback within seven business days. The KPI of 92 per cent was surpassed with an average SLA of 97 per cent during the year.

The team also focussed on closing each feedback case in fewer than 10 days. By June 2013 an average 82 per cent of cases were closed within 10 business days.

The V/Line Call Centre received 507,392 calls in 2012–13, down from 751,122 calls in the previous year. The reduction in calls shows an increased focus by the business in use of online and smart phone communications to provide information to our customers.

Customers are eligible for compensation when train performance targets are not met and may also be compensated when they experience delays of 60 minutes or more. Compensation is in the form of a complimentary ticket and in 2012–13 compensation was valued at $122,125, down from $150,218 in the previous year.

There was a decrease in customer satisfaction as measured by Public Transport Victoria surveys (from 71.1 per cent to 69.8). This is unsurprising given the ongoing Regional Rail Link works and rail line disruptions experienced across the network. Satisfaction with coaches increased slightly, up from 73 to 74.7.

CEO online forums continued in 2012–13, complementing the on-train consultations which are carried out on a corridor every month. The online forums gave customers the opportunity of a web-based chat with the CEO and executive team. Feedback from both the on-train and online consultations is also uploaded to the website for all customers to read. Future consultations will focus on topics of interest, with a myki online consultation planned for July 2013.

Campaigns with a media spend more than $150,000

Name of Campaign	Campaign summary	Start/End date	Advertising (media) expenditure (ex. GST)	Creative and campaign development expenditure (ex. GST)	Research and evaluation expenditure (ex. GST)	Print and collateral expenditure includes production (ex. GST)	Other campaign expenditure (ex. GST)
Guilt Trips	Phases 2 and 3 of the Guilt Trip campaign continued to encourage Melburnians to travel on V/Line to visit family and friends in regional Victoria, as well as support regional economies. The campaign featured a series of web films starring a fictional Guilt Trip Advisor, Louise, which was available to watch on the V/Line YouTube channel and also appeared as paid advertising on various websites. Other channels included radio, outdoor and press advertising.	18/10 – 20/11 26/5 – 30/06	$203,255	$37,490	$0	$104,732	$1571

Sustainability and environment

Environmental management

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

V/Line is working to reduce spills, particularly from its fuelling sites. A fuel point maintenance contract is in place to ensure all equipment at V/Line's permanent fuel points is in good working order and maintenance and upgrade activities occurred throughout the year.

Pollution is a particularly important issue at V/Line's South Dynon fuel point where ageing infrastructure, land settlement and proximity to Moonee Ponds Creek increases environmental risks. In May 2012 the Environment Protection Authority (EPA) issued a pollution abatement notice (PAN) requiring works to:

- Cover the oil pits to prevent wildlife access.
- Seal cracks and holes in the bund at the fuel tanks.

In addition to these actions, V/Line decommissioned approximately 20 metres of underground fuel pipeline at South Dynon, replacing it with an above ground line to significantly reduce pollution risks. V/Line is also working to reduce air emissions from the train fleet with trials of catalytic converters and low-emission ejectors.

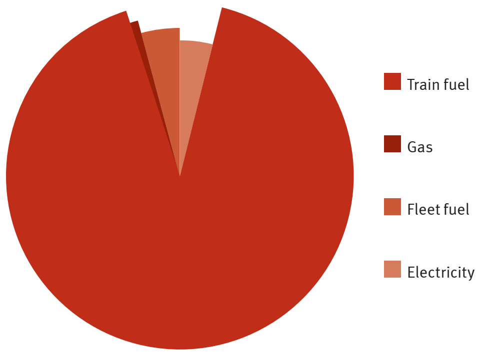
In addition to pollution control, V/Line also puts significant effort into minimising the impacts of our maintenance activities on protected vegetation and wildlife in the rail reserve. During 2012–13, V/Line's environment team continued to map the location of these important biodiversity features. This provides better guidance to infrastructure workers on where stricter environment controls need to be implemented. The environment team also worked closely with the infrastructure team to manage environmental impacts associated with works including hazardous tree removal, level crossing upgrades and line-of-sight clearance.

V/Line's environmental performance is guided by an ISO14001 certified Environmental Management System. Objectives, targets and an action plan have been developed as part of this. V/Line monitors and records its consumption of energy, water, paper and transport, as well as its output of waste and greenhouse gas emissions at its office-based operations.

Energy use and greenhouse gas emissions

The running of trains is the primary source of energy consumption at V/Line, with train fuel using over a billion mega joules and accounting for approximately 90 per cent of energy consumption. Other sources of energy consumption are V/Line's 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 goal for 2012–13 was to maintain energy use per passenger kilometre at or below the 2011–12 baseline. During the year, energy consumption increased by approximately 2.6 per cent per passenger kilometre. This increase occurred despite a reduction in total consumption, and may be attributed to a reduction of passenger kilometres as a result of the Sunbury Electrification Project.

Indicator	2012-13	2011-12
Total energy use (GJ)	1,309,860	1,352,976
Greenhouse gas emissions associated with energy use (tCO2-e)	103,907	106,646
Energy use / passenger kilometre (MJ / pass km)	1.22	1.19
% change in energy use / passenger kilometre	2.6% increase	

Based on utility data available.

V/Line is required to report under both the *Energy Efficiency Opportunities (EEO) Act* and the *National Greenhouse and Energy Reporting Act*. V/Line's EEO report will be made available on our website when finalised.

Sustainability and environment

The table below shows energy use for V/Line's head office activities. Energy used for heating and cooling at head office is not included in the information reported here as it is provided as part of the building tenancy and V/Line-specific data is unavailable. In March 2013, staff from 570 and 628 Bourke Street relocated to a new head office location at 750 Collins Street. The new building has improved environmental performance and was designed to achieve a five star NABERS rating (National Australian Built Environment Rating System). While this move saw a complete removal of all staff from level 23 of 570 Bourke Street, both floors of 628 Bourke Street have a small number of staff remaining and meeting rooms are periodically used.

Total energy use for V/Line's head office operations could not be accurately determined at the time of writing this report as no energy consumption data for the new head office was available. Data for V/Line's Bourke Street offices, for the period when they were fully occupied, indicate a 15 per cent reduction in energy use per FTE from the previous year extrapolated.

Head office electricity consumption

Indicator	2012-13	2011-12
Total electricity use (kWh)	283,688	320,893
Percentage of electricity purchased as Green Power	15%	14%
Greenhouse gas emissions associated with energy use (tCO_2-e)	296	338
Electricity use / FTE (kWh/FTE)	1,336	1,570
% change in electricity use / FTE	15% decrease	

Initiatives undertaken

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

Comments on data quality

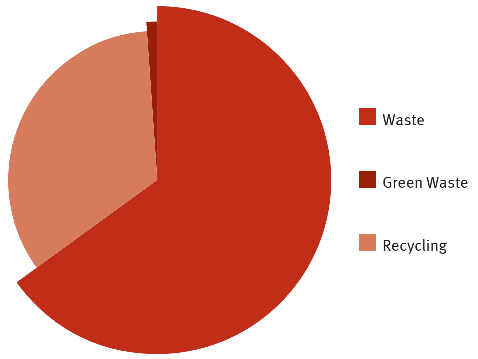
- Data is based on billing information provided by the electricity retailer.
- Electricity use was estimated by extrapolating data from available invoices for the period when the Bourke Street offices were fully occupied.
- The 2011–12 figure for electricity use has been adjusted from last year's report due to the availability of more comprehensive data.

Waste

The majority of waste associated with V/Line sites is generated by passengers and staff at regional locations such as depots and stations. There are a variety of waste types produced, ranging from household type waste and office waste to waste sleepers, ballast, soil and train parts. Volumes and types of waste at non head office locations are currently not monitored, however V/Line is currently working with its waste contractor to address this issue.

At V/Line's head office, general kitchen waste and office waste are produced and either disposed of to landfill or recycled. Because of the relocation to 750 Collins Street in March, only two audits of waste generation within head office were completed during 2012–13. These audits estimated that employees disposed of 32 tonnes of waste in total, or approximately 151 kg/FTE for the year.

Waste production



It is estimated that approximately 22.1 tonnes of greenhouse gas emissions (t CO_2-e) are released from the disposal of head office waste to landfill each 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 on all floors.
- Staff are encouraged to reduce the amount of waste produced and use correct recycling practices. This has included the communication of waste audit results, the use of waste signage and content on waste reduction and recycling in toolbox talks.
- Toner recycling is in place throughout the office.

Comments on data quality

- Data on waste generation is based on two weeks of data only 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.

Sustainability and environment

Paper

V/Line recognises that paper use is an important environmental issue. Across the whole organisation, paper use per FTE in 2012–13 decreased by 11 per cent from the previous year, and at head office paper use per FTE decreased by 33 per cent. This is likely to be predominantly due to changes to staff attitudes and practices regarding printing.

Organisation wide paper use

Indicator	2012-13	2011-12
Total paper use (reams)	7,126	8,003
Paper use / FTE (reams / FTE)	7.3	8.2
% change in paper use / FTE	11% decrease	
Percentage of paper purchased with a recycled content above 50%	95%	84%

Head office paper use

Indicator	2012-13	2011-12
Total paper use (reams)	3,106	4,486
Paper use / FTE (reams / FTE)	14.63	21.95
% change in paper use / FTE	33% decrease	
Percentage of paper purchased with a recycled content above 50%	93%	98%

Initiatives undertaken

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

- All white A4 office paper purchased at head office is required to have a recycled content of 50 per cent or above (note: figure above includes coloured and A3 paper).
- 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.
- Information on sustainable purchasing is now provided to staff involved in procurement and purchasing.

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 are using tank or recycled water. Data on this consumption is obtained from invoices sent by the water corporations.

V/Line has an objective to improve water efficiency at all V/Line controlled operations. During 2012–13 V/Line developed a rigorous and accurate water baseline for 2011–12 and improved systems for obtaining water data. Future water consumption data can be measured against this baseline, however, total water use for 2012–13 has not yet been determined as data is still becoming available. This information will be made available in the 2013–14 report.

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

Transport

V/Line requires its staff to travel throughout Victoria and staff are directed where possible to use V/Line's train services to attend regional meetings. A car fleet is available to support head office and regionally-based staff, although, it is our track maintenance staff who mostly require vehicles to undertake their work.

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 currently monitor how staff commute to work or air travel.

Indicator	2012-13	2011-12
Energy Use (GJ)		
Diesel	52,536	74,412
Petrol	4,459	6,648
LPG	87	215
Total	57,082	81,275
Greenhouse gas emissions from vehicle fleet (tCO2-e)	3,988	5,677
Energy Use (GJ)	58	83
% change in energy use per FTE	30% decrease	

Sustainability and environment

Initiatives undertaken

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

Comments on data quality

- 2011–12 figures for fuel use have been adjusted from last year's report due to the availability of more comprehensive data.

Environmental regulation and performance

V/Line'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.

During 2012–13, one significant environmental incident occurred. During routine inspections of the South Dynon site, V/Line contractors identified a significant quantity of highly degraded diesel within the stormwater system. The material had travelled across several lease areas (V/Line and non-V/Line) prior to discharging to Tidal Canal where it was contained close to the stormwater outlet.

V/Line notified the EPA and arranged clean-up of the material. The material was determined to be potentially years old. V/Line inspected all stormwater drains upstream of where the material was found and where all diesel was stored and could not identify the source as coming from V/Line activities. The EPA also investigated the incident and could not identify the source. No notices have currently been issued for this incident.

V/Line is still addressing the following environmental issues as reported in 2011–12:

- 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 2012–13, V/Line's community outreach activities continued to provide support for country communities. The role we play in linking communities across Victoria is significant and we have developed programs and partnerships that support and strengthen these groups.

The V/Line Life Training program is an educational and motivational program for young people aged 14–18 years. It encourages them to 'stay true' to themselves, their values and their goals. The program focuses on life skills that are integral to positive development, such as goal setting, identifying support networks, and most importantly the true impact and consequences of the choices made in life.

At the start of 2013 ex AFL players Cam Mooney, Heath Black and Marcus Drum, along with former AFL Umpire Stefan Grun, joined Melbourne Vixen Madi Browne as ambassadors for the program. During 2012–13 we held 26 sessions with more than 2300 young people participating in the program.

Our partnership with Travellers Aid was extended to include support of the Medical Companion Service which provides a volunteer to accompany people who are using public transport in Melbourne to attend medical and hospital appointments. These patients are often in very stressful situations and by providing the volunteer, the concerns associated with negotiating public transport in Melbourne are reduced. There were 623 clients from regional Victoria who used this service during the financial year.

The Stationeers program (through Keep Australia Beautiful) continued to grow with six new groups formed in 2012–13. There are now Stationeer groups at 25 V/Line stations. The volunteer groups beautify the station and surrounds, contributing to a welcoming environment for our customers.

V/Line's partnership with AFL Victoria (previously Victorian Country Football League) celebrated its 10th year with a highly successful V/Line Cup held in April. The V/Line Cup is a recognised pathway for young footballers on their journey to the AFL and since 2004 more than 5,000 boys have taken part in the competition.

All of V/Line's community outreach activities are now monitored through a Social Responsibility Index which was developed in 2012 (to measure the social impact of sponsorships). A baseline measure of 54.8 per cent across the programs was achieved in 2012–13, in other words, programs are influencing more than half of the participants positively.

Our people

Expansion of registered training organisation scope

V/Line is a registered training organisation (RTO) and currently has accreditation to deliver Certificate IV in Rail Operations. During 2012–13 V/Line developed training and assessment materials in preparation for the expansion of the scope of our registered training organisation to deliver Certificate ll in Rail Infrastructure. Our application was lodged with the Victorian Registration and Qualifications Authority (VRQA) in June 2013.

The expansion of our RTO accreditation to include the delivery of Certificate ll in Rail Infrastructure will provide many benefits to the business. It will enable V/Line to award staff a nationally recognised qualification in Rail Infrastructure; increase control over quality of content, delivery and assessment of infrastructure competencies; increase our ability to access funding to offset costs of training, as well as support clear succession planning and capability building opportunities.

Beacon Foundation

As part of the human resource sustainability action plan, V/Line developed a partnership with the Beacon Foundation. The Beacon Foundation has an established track record of helping to inspire and motivate disadvantaged students to stay at school and increase their education engagement. It also assists with choosing a positive pathway that enables successful transition to employment, further education and training. During the year V/Line participated in a number of Beacon activities within regional Victoria which included the workshops 'lunch with the girls' and 'BBQ with the boys'.

DOXA Youth Foundation

V/Line continued to sponsor three young engineering cadets. The DOXA cadetship program aims to assist talented young people from socially and financially disadvantaged backgrounds who aspire to tertiary education. V/Line's support of the three students from regional Victoria is also designed to provide an introduction to an engineering career in the rail industry.

Core behaviour competency program

This program was launched in April 2013 and was designed to help V/Line identify the core skills and knowledge required, and the behaviours needed, for people to do their jobs to the highest standard. The push for this program came from feedback from the Employee Opinion Survey (development/progression opportunities), the need to establish a solid link between our values and the way we work, and the desire to provide a clear foundation from which V/Line can acknowledge achievements and identify opportunities for development. This program is also an integral part of developing employees as it:

- Provides clear expectations of the core skills/knowledge needed at each level within the V/Line.
- Helps V/Line to identify development priorities.
- Provides unbiased criteria for recruitment decisions.
- Provides a clear foundation for discussions between managers and their employees.

The program has a range of self-development opportunities and formal learning programs that will assist our employees to close any gaps in their competencies.

Improving systems

In 2012–13 the workers compensation claims and injury management system was implemented. As a result, our efficiency in the administration and payroll related matters of workers compensation has improved significantly. The system also enables us to track and claim outstanding reimbursements from our insurer and to improve transparency and accountability relating to claims and return-to-work programs.

Peer support program

Over the past four years approximately one third of all Workcover claims lodged with V/Line related to psychological injury. The majority of these claims related to train drivers who have been exposed to critical incidents while at work. V/Line has continued to review and improve ways in which support is provided. A pilot peer support program was developed and implemented within the train crew area. This program provided regional driver supervisors with additional skills and knowledge to enable them to better support drivers who have been exposed to critical incidents. The pilot has been successful and will be implemented in its current form.

Our people

Employee snapshot

Headcount	30 June 2013	30 June 2012
V/Line Skill Group		
Executive	9	10
Operations	51	62
Station staff	255	255
Conductors	221	216
Train drivers	358*	342*
Authorised Officers	11	11
Infrastructure maintenance	183	181
Signals and communications	63	58
Train controllers	52	50
Network services	72	64
Other staff	218	211
Total	**1,493**	**1,460**
	*includes 8 internal trainee drivers	*includes 10 internal trainee drivers

Headcount	30 June 2013	30 June 2012
Ongoing employees		
Employees (headcount)	1429	1408
Full-time (headcount)	1362	1354
Part-time (headcount)	67	54
FTE	1402.5	1387.4
Fixed term and casual employees		
Headcount	64	52
FTE	58.5	47.3
	Ongoing, fixed-term and casual employee (headcount)	**Ongoing, fixed-term and casual employee (headcount)**
Gender		
Male	1269	1254
Female	224	206
Age		
Under 25	39	42
25-34	219	202
35-44	301	292
45-54	522	551
55-64	368	332
Over 64	44	41

Operations

V/Line operated a total of 70,040 services this year – 57,927 commuter and 12,113 long distance. There was a decrease in commuter services as a result of the Sunbury Electrification Project which was completed in November 2012. V/Line ceased to run dedicated services to Sunbury, with those customers moving to Metro Trains. Regional Rail Link works continued throughout the year and saw line closures and rail replacement coaches operate across the network to enable the project to progress.

The transfer of Sunbury and Diggers Rest stations to the metropolitan network freed up train carriages to be added to heavily patronised services and also formed new services on the Ballarat and Traralgon corridors. This included an additional morning service to Traralgon, and an extra morning peak train from Bacchus Marsh servicing Melton, and an extra afternoon train to Melton. These were added to the November 2012 timetable. The Ballarat line was the best performing line in 2012–13 with an increase of 76,000 passenger trips (up 2.4 per cent).

Challenges on the network

Continuing rehabilitation track works by the Australian Rail Track Corporation (ARTC) resulted in more than three months of reduced train services for the Albury line. V/Line operated coaches for two of the six daily services between Melbourne and the border towns in April, May and June 2013. The works to lift speed restrictions in sections of track will be welcome news to customers who are experiencing slower than expected journey times. Although travel times are not matching the current timetable, it is expected that works by the ARTC in the coming years will bring the track up to standard and allow trains to improve their punctuality.

Several incidents on the Gippsland line affected performance and moved customers onto coaches for part of their journey in 2012–13. In late August, a 20 metre section of track near Morwell (141 km from Melbourne) was damaged when six culverts overflowed and eroded the ballast and foundation from beneath the line. Flooding from the Morwell River required 2.4 million litres of water to be pumped from the area, and the iron culverts removed and replaced with reinforced concrete. This major project took almost seven weeks to complete and meant that trains could only operate between Moe and Melbourne during this period, with coaches replacing all trains between Bairnsdale and Moe. Bridge works by Esso for eight days in February also saw the line between Traralgon and Bairnsdale closed.

The removal of 22 Z carriages from the fleet has also impacted V/Line's ability to move carriage sets around the network. While they will be gradually re-introduced into the fleet over the next two years, it has limited the flexibility needed to redirect trains at times of disruption, with every single carriage in the rolling stock being used at all times. A 'hot train' initiative was introduced in November 2012 which saw two three-car VLocity trains on standby at Southern Cross Station to cover train shortages. Cancellations quickly declined as a result of the new plan, however, the removal of the Z carriages meant this was short-lived. The success of the 'hot train' will see it implemented in the future, when rolling stock availability allows.

Improvements

GPS was fitted to the VLocity fleet and N-class locomotives. This upgrade has allowed V/Line to track exact locations and speeds of trains and it has assisted with on time monitoring. There is great potential with GPS and the remainder of the fleet will be fitted in the future.

Customers using Echuca Station have had better parking options and easier access to the station since April 2013 thanks to the completion of a $400,000 car park upgrade. The State Government funded upgrade was a significant improvement for the hundreds of customers using the station every week. The upgrade provides space for more than 70 cars, as well as designated disabled parking spaces, a drop-off zone, a new bus interchange and better lighting. The car park also has improved walkways and signage, and tactile surfaces to assist people with vision impairment. Sealing the car park also means much easier access to the station, especially in winter.

May's State Government Budget was good news for residents of the growing suburbs of Grovedale and Epsom and will see the V/Line network expand.

At Grovedale, our Geelong customers will benefit from construction of a $25.9 million station. The investment will reduce travel time and cost for residents of Geelong's southern suburbs and the Surf Coast by extending V/Line trains beyond Marshall. The new Grovedale Station will include a single platform with passenger amenities, bus bays, bicycle storage and parking for 200 cars.

The $9 million pledge for the Epsom Station will improve public transport access for the community north of Bendigo. The project will create a 160 metre platform with shelters and parking for 60 cars. Work on both stations will begin in 2014.

Operations

Performance

Victoria experienced the hottest summer for many years in 2012–13. With the increase in temperature comes an increase in heat speed restrictions for the V/Line network. When temperatures reach 38 degrees or above (increasing the chance of the steel track buckling) trains must be slowed to 90 km per hour or less as a safety precaution. This means that normal train speeds of 115 km/h (locomotives), 130 km/h (Sprinters) and 160 km/h (VLocity trains) are reduced which impacts on-time running.

Between November 2012 and March 2013 V/Line had 627 trains run late as a result of the hot weather. This figure is up from 176 in 2011–12 and 243 in 2010–11. Although an inconvenience for customers, comprehensive communication campaigns over many summers has prepared V/Line customers for delays and most people know to allow extra time when travelling on hot days.

Punctuality for commuter trains was 85.1 per cent (down from 87.3 per cent in the previous year) and long distance trains were 77.1 per cent on time (down from 81.1 per cent in 2011–12). Speed restrictions during the year have also impacted punctuality, although works on the Ballarat and Bendigo lines during the two week Regional Rail Link closure in July 2013 will go a long way to lifting these impediments. Significant track and drainage works by the Infrastructure team on the Bendigo line has also allowed for the removal of a number of temporary speed restrictions.

Significantly, our on time runnning in the regional network for both long and commuter services was at 94.2 per cent. This is the section of track under V/Line's control (up to the metropolitan boundary) and highlights that most delays occur on the busy metropolitan network. On completion in 2016, the Regional Rail Link Project will remove bottlenecks that cause many of these train delays. Regional train services will be untangled as they travel through Melbourne's west into the heart of the city, and this will improve V/Line's punctuality in years to come.

Reliability in 2012–13 was similar to the previous year with V/Line trains exceeding the target of 96 per cent set by Public Transport Victoria. Commuter services were 97.4 per cent (97.6 in 2011–12) with long distance services measuring 97.3 per cent (99.4 in 2011–12).

Fleet

The Victorian Government has placed a $207 million order for 40 additional VLocity carriages to run on the regional network. These will start rolling out in 2014, with the final carriage delivered by the end of 2016.

The trains will be built at Bombardier's Dandenong workshops and include seven three-car sets and 19 single cars which will be used to make V/Line's remaining two-car VLocities into three-car sets.

This will complete the conversion of the fleet into a uniform three-car configuration of 58 sets with resulting operating and maintenance efficiencies.

This addition to the fleet, from 134 VLocity carriages to 174 carriages, will help us meet the demand from the Regional Rail Link Project and increases in patronage. The stabling yards at Geelong will also be expanded to cater for the extra carriages.

The VLocity maintenance facility at Ballarat East will be upgraded to include jacks (to lift trains), overhead cranes and a travelling overhead platform to access VLocity roofs. These works will be complete in early 2014.

The Ballarat East facilities, combined with improved maintenance procedures, are responsible for the excellent reliability of the VLocity fleet this year. The VLocity units travelled an average 130,363 km between faults, compared with 120,390 km the previous year. Average availability also improved in 2012–13 to 90.3 per cent, up from 88.9 per cent on 2011–12.

Routine maintenance exams on VLocity units were moved from two week cycles to three week cycles in 2012–13, making the fleet more available without impacting the reliability.

Sprinter performance also improved as we addressed issues around outmoded parts in relation to the power supply. V/Line worked with RMIT Engineering to find adaptable components for the 20 year old Sprinter fleet. Changes to their maintenance regime also contributed to a good result with exams scheduled to be less frequent but more thorough, resulting in Sprinters travelling an average 37,122 km between faults compared with 28,913 last year. Average availability came up slightly from 85.4 per cent in 2011–12 to 85.6 per cent.

Carriages travelled 102,499 km between faults (the drop from 156,924 in the previous year due predominantly to door opening systems) although better fleet performance is expected in the future as a result of changes to the maintenance schedule.

Locomotive maintenance was also changed in 2013 to better reflect operations with engines undergoing routine checks based on the distance travelled (not time based). Steps to address locomotive issues with head-end-power (which provides power to carriages) are under way along with an independent review of our maintenance practices to try and identify areas of further improvement. They travelled on average 24,698 km between faults compared with 28,278 km in 2011–12. Average availability was 80.3 per cent compared with 84.7 per cent in the previous year.

In late January 2013 V/Line decided to remove 22 carriages from service following a safety audit which revealed fatigue cracks in some critical areas of the 'bogies' or undercarriages of Z class carriages. While the ultimate solution is to replace the bogies, this will take time as these are large castings which must be produced by specialist foundries. In the interim, the Fleet team is addressing this issue by working with experts in the field of fatigue analysis to determine and implement extensive defect detection and monitoring process which will allow the return of some of these bogies prior to the arrival of the new bogies.

The withdrawal of these carriages accounted for less than 10 per cent of seats, with most of the affected trains operating with four carriages instead of five. However, this did make some trains inaccessible to customers in wheelchairs, so V/Line provided alternative transport in the form of accessible taxis. Coaches were also used to supplement trains in cases of crowding. These plans will continue until all the carriages re-join the fleet.

The carriages will progressively return to service over the next two years – the first returned in June 2013 and was rostered to the busiest lines and services.

The fitting of low fuel warning systems to the VLocity fleet began in April 2012 and was completed at the end of last year. All 51 VLocities have now had their low fuel warning lights installed and a similar system is being trialled on the Sprinter fleet.

Environmental initiatives

V/Line has an obligation to be a good corporate citizen and work towards reducing our diesel emissions.

V/Line has started trialling a catalytic converter on a VLocity unit with the aim of reducing diesel emissions. Catalytic converters change toxic exhaust into a less toxic substance and are common on motor vehicles which run on petrol. The converter sits in the exhaust system, and while testing is still being carried out, if found successful, consideration will be given to retrofitting the VLocity fleet.

A low-emission injector which results in a more economical burn in the engine and reduces diesel emissions is also being trialled on locomotives. The 'eco-tip' creates a cleaner burn which reduces emissions and reduces fuel consumption. If the trial is successful it will become the standard replacement on locomotives.

Infrastructure

Significant achievements were recorded throughout the year despite challenges across the network.

Following on from major works on the Seymour line in 2011–12, a further $7.6 million was invested in improving the condition of the Melbourne-bound track. The works included replacement of 23,000 sleepers and reconditioning of the ballast and formation. Some 14,000 sleepers were also replaced on the Shepparton line north of Seymour and 9,000 sleepers were replaced between Dunolly and Inglewood.

Construction of the track for a new $9 million crossing loop at Warncoort on the Warrnambool line was completed this year. The Warncoort Loop, when commissioned in November 2013, will increase the capacity of both passenger and freight services on the Warrnambool line.

The three kilometre Geelong Grain Loop, which connects the ARTC defined interstate lines and the Victorian interstate lines to Geelong ports grain loading terminal, underwent significant upgrade. Dual gauge concrete sleepers were installed throughout the lines section and substantial ballast remediation performed. The operating axle load for the loop was increased from 19 tonnes to 23 tonnes per axle, marking the first time that V/Line infrastructure has been certified to operate loaded wagons with a greater than 20 tonne axle load.

The division also carried out major repairs to 21 bridges on the passenger network including superstructure replacement, strengthening and upgrading from timber decks to corrugated steel decks as well as the installation of safety barriers and walkways.

One of the few remaining timber trestle bridges on the passenger network was completely replaced with a concrete structure at Kilmany near Sale.

The southern platform at Yarragon Station was reconstructed to a modern standard and realigned to improve operating clearances through the station.

The team also renewed seven major level crossings while 40 actively protected level crossings (including two pedestrian crossings) were commissioned throughout the V/Line network.

A significant vegetation removal works program was conducted on the Bendigo corridor, involving V/Line's Bendigo Track & Civil maintenance crews, the Environment team and the Department of Environment and Primary Industry. This work rectified numerous long standing signal clearance issues on the Bendigo corridor, allowing for the removal of several temporary speed restrictions.

Process and systems improvements

There was significant focus on process improvement relating to governance, compliance and safety of infrastructure maintenance and engineering processes. Improvements include:

- The first internal V/Line Track Inspectors course was conducted. It was developed in-house and the first of the new generation of V/Line Track Inspectors have qualified. The training package was developed as a joint project between Human Resources and Infrastructure.
- Enhancement of the pre-job start process to ensure that situational hazards are more comprehensively considered prior to starting work.
- Simplified OHS&E workplace inspections, giving greater clarity around organisational requirements and expectations related to safety and environmental issues.
- Depot emergency response plans were redeveloped to clarify roles and responsibilities, evacuation points and emergency drill requirements.
- A supplier quality management and monitoring system was developed to capture supplier issues and establish a database of supplier performance. This is particularly beneficial during the supplier and contractor selection process and to re-enforce supplier accountability.

Renewed attention was given to implementing modern asset management principles and many improvements were made to existing systems, including:

- An investigation using Reliability Centred Maintenance principles in the Southern Cross Station precinct concluded there would be benefits in increasing the planned maintenance and inspection on a group of the most heavily trafficked points locations. The additional expense of this maintenance activity would be offset by the decreased potential for disruptions to train services. Areas of further analysis were also identified including track circuits, communication and control systems.
- A regime to measure and monitor infrastructure availability was developed based on the percentage of time each month that infrastructure is available to run each timetabled service. The measures also identify the impact of infrastructure faults that contribute to delaying services outside the allowable tolerances for passenger train punctuality. This will assist with identification of root-causes of failures and promote more effective infrastructure asset management.

Infrastructure

Progress on the Gippsland line

V/Line suspended Gippsland train services beyond Traralgon in late March as a result of level crossing safety concerns between Traralgon and Bairnsdale.

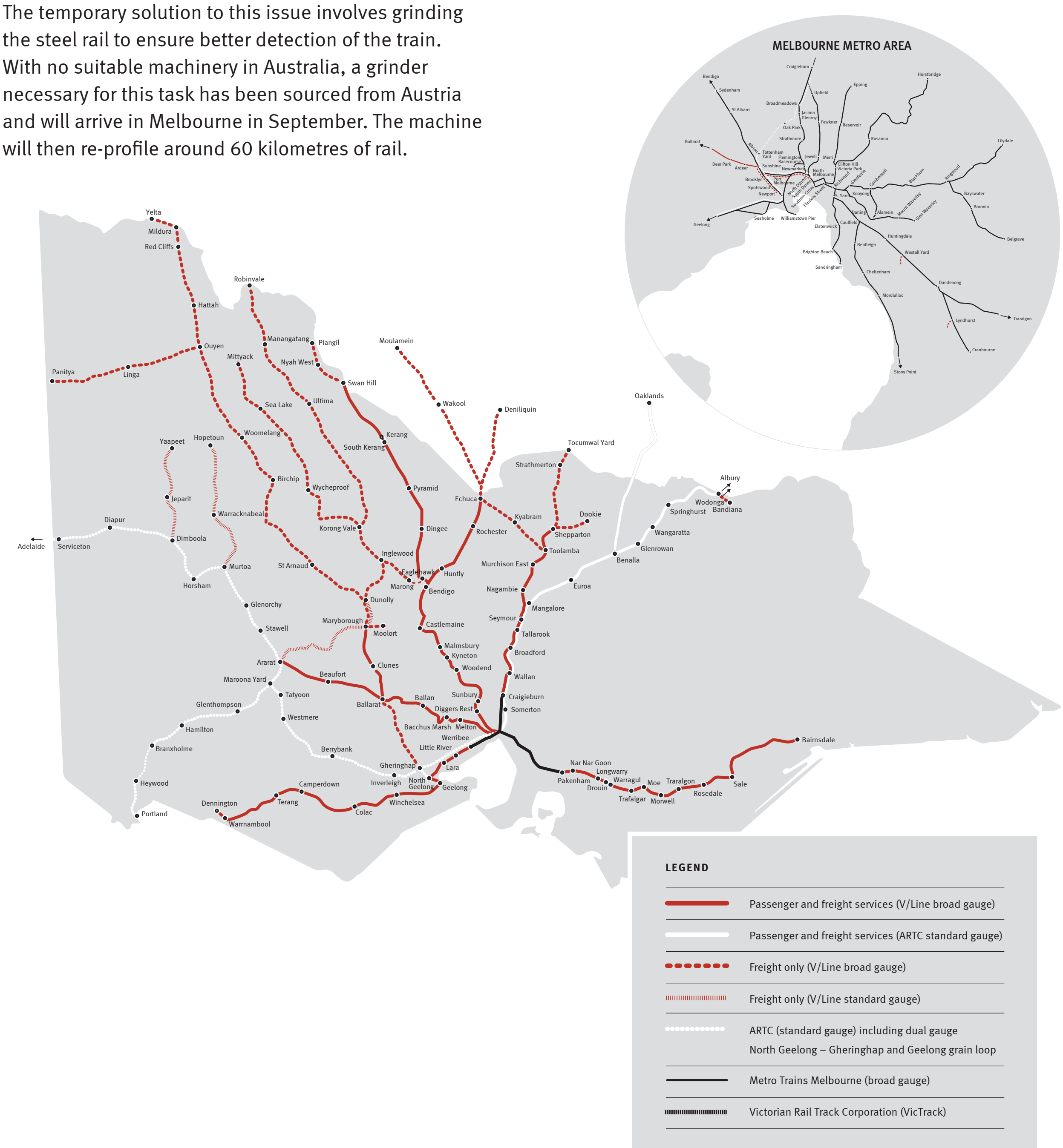
A total of 32 level crossings between Traralgon and Sale were not consistently detecting approaching trains early enough for warning bells and boom gates to activate for a full 25 seconds before the train reached the level crossing. This has resulted in some instances where bells have provided a shorter than required warning to road users approaching the level crossing.

The temporary solution to this issue involves grinding the steel rail to ensure better detection of the train. With no suitable machinery in Australia, a grinder necessary for this task has been sourced from Austria and will arrive in Melbourne in September. The machine will then re-profile around 60 kilometres of rail.

It is expected V/Line will reintroduce the full train timetable between Traralgon and Bairnsdale in October 2013.

In May 2013 it was announced that V/Line will invest up to $8 million to install axle counter technology at all 32 level crossings along the line to permanently overcome the issue.

Extensive works to upgrade bridges, replace sleepers and renew gravel level crossings were completed in 2012–13 while the line was closed. More than 20,000 concrete sleepers replaced wooden sleepers to further improve the quality of the line.



Financial summary

V/Line reported a $10.9 million loss after income tax for the year ended 30 June 2013, compared with a $1.8 million profit after income tax in the prior year. However, the cash flow from operating activities of $12.5 million was again strong, with a net increase in cash of $3.7 million over the year.

Total income decreased by $20.2 million with project income declining by $30.1 million and farebox revenue increasing by $3.9 million. There was an overall reduction in patronage of 5.4 per cent due to the transfer of the Sunbury services to the metropolitan network and a significant level of service cancellations and interruptions.

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

- The removal of 22 Z class carriages in January 2013 due to defective wheel bogies.
- Reduced services on the Albury line due to track work maintenance.
- Suspension of services between Traralgon and Bairnsdale due to level crossing detection problems.
- Closure of certain lines due to Regional Rail Link project works.

These issues have resulted in an increase of $9.2 million in the cost of coach services and an increase of $3.5 million in the franchise performance penalty.

The average subsidy per passenger increased for the first time in six years from $18.27 to $20.25 due to lower passenger numbers across the network.

Freight volumes on the network continued their growth from previous years with access revenues increasing from $6.2 million to $7.0 million on the back of strong grain harvests.

Maintenance costs of the VLocity fleet, the ageing locomotive-hauled and Sprinter fleets increased over the prior year by $3.2 million and costs in this area will continue to be high due to the demand on the fleet.

The results for the year also include an increase in the provision for non-recovery of contractual receivables of $2.6 million, primarily relating to one freight customer who has gone into liquidation.

Depreciation was $3.1 million higher than the previous year due to the higher level of capital works completed compared with previous years.

Infrastructure maintenance costs have again increased due to issues related to the age of assets and this continues to remain a challenge for the business.

Project costs were lower in 2013 by $28.9 million but this has no impact on the financial performance of the business as all costs associated with these activities are fully recoverable.

Financial summary

Consultancies

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 2012-13 (exc. GST) $'000	Future committed expenditure (exc. GST) $'000
Willis Australia Pty Ltd	Workers compensation services	01 Jul 2012	30 Jun 2013	415	415	
Corrs Chambers Westgarth	Legal advice	01 Jul 2012	30 Jun 2013	409	409	
Barrington Centre Pty Ltd	Employee assistance program and training	01 Jul 2012	30 Jun 2013	252	252	
QinetiQ Pty Ltd	Assessment and advice for returning Z Cars to service	24 May 2013	30 Jun 2013	300	150	150
Value Edge Consulting	Recruitment testing, assessment and development	01 Jul 2012	30 Jun 2013	89	89	
Cube Management	Advisory for board management	25 Sept 2012	17 Jun 2013	70	70	
Horton International	Consultant for CEO recruitment	01 Jan 2013	01 Feb 2013	56	56	
Grant Thornton	Audit services on procurement	28 Mar 2013	30 Jun 2013	95	45	50
Rail Advisory Services Pty Ltd	V/Line board consulting	5 Oct 2012	20 May 2013	47	47	
Mercer Australia	Job evaluations and remuneration advices	01 Jul 2012	30 Jun 2013	44	44	
Lismeen Pty Ltd	V/Line board consulting	01 Jul 2012	30 Jun 2013	35	35	
Wes Gordon Consulting	WAP training	01 Jul 2012	30 Jun 2013	29	29	
Transvalue Management Pty Ltd	Review of projects – V/Line and state projects	01 Jan 2013	30 Jun 2013	23	23	
The Boardroom Consulting Group Pty Ltd	Board report writing for executives	22 Jan 2013	15 Feb 2013	17	17	
EMA Consulting	Independent advisory for HR issues	11 Jul 2012	28 Jun 2013	13	13	
	TOTAL			**1,892**	**1,692**	**510**

Below $10K	Nil	Nil	Nil

Financial summary

Consultancies

Details of consultants over $10,000

Project Related

Consultants	Purpose of consultancy	Start date	End date	Total approved project fee (exc. GST) $'000	Expenditure 2012-13 (exc. GST) $'000	Future committed expenditure (exc. GST) $'000
Evans & Peck Pty Ltd	Project management services (RRL and state works) and risk assessments	01 Jul 2012	30 Jun 2013	10,169	10,169	
Worley Parsons	Project management services for RRL	01 Jul 2012	30 Jun 2013	1,427	1,427	
Rail Networks Consulting	Project management services for RRL	01 Jul 2012	30 Jun 2013	515	515	
Opus Rail (Previously Coffey Rail)	Designed drawing, review and drafting services	01 Jul 2012	30 Jun 2013	462	462	
Transnet Logistics Pty Ltd	Project management services (ROMS)	01 Jul 2012	30 Jun 2013	688	328	360
Simmons Rail Consultants	Level crossing consulting	01 Jul 2012	30 Jun 2013	327	327	
Kellogg Brown & Root Pty Ltd	Design and engineering services	01 Jul 2012	30 Jun 2013	326	326	
Human Risk Solutions Pty Ltd	Risk assessments	01 Jul 2012	30 Jun 2013	117	117	
Parsons Brinckerhoff Australia Pty Ltd	Track sequencing alarm and feasibility study	25 Mar 2013	25 Mar 2013	66	66	
Contour Consulting	Planning and site inspection for Talbot Station for Bendigo fuel point	28 Aug 2012	25 Apr 2013	16	16	
	TOTAL			**14,112**	**13,752**	**360**

Below $10K	Nil	Nil	Nil

Corporate governance

Board of Directors as at 30 June 2013

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.

JACK DIAMOND – Acting Deputy Chairperson

Mr Diamond is Managing Director of Integritas Group Pty Ltd. He has worked in the funds management and the finance industry for over 25 years and has deep experience in banking, funds management, stakeholder relations, strategic management and marketing. Mr Diamond is a director of Industry Funds Services Pty Ltd and related companies and chairman of Industry Fund Service Insurance Broking Pty Ltd. He has previously been a director of Victorian Funds Management Corporation and has held directorships in banking, superannuation funds (including four Ansett Airlines Super Funds in their wind down) and an ASX listed company and not-for-profit charities. Mr Diamond is a Fellow of the Australian Institute of Company Directors (FAICD).

SUSAN OLIVER – Director

Ms Oliver is an experienced company director of 17 years. She has extensive executive and advisory experience in information technology, project management, strategy and scenario planning. Her current board appointments are with Coffey International Limited, CNPR Limited and Fusion Retail Brands. She is a governor of The Smith Family, a director of Melbourne Chamber Orchestra and council member of the Australian Institute of Company Directors in Victoria. She also manages her own consulting and advisory practice and information technology company, and currently serves on the Victorian government advisory panel for small technologies.

MOANA WEIR – Director

Ms Weir has 10 years executive experience in leading online listed companies, currently with SEEK Ltd, and previously with REA Group Ltd and Melbourne IT Ltd. She has Australian and international executive business experience in the areas of: legal, governance, company secretarial, corporate affairs and sustainability, risk management and corporate operations. In addition, Ms Weir has specialist legal expertise in the areas of IP/IT and M&A and 18 years of legal practice. She holds an independent board position with a not-for-profit organisation.

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, and maintenance and logistics), project management, business due diligence, audit, risk, governance, and merger and acquisitions. Mr Wilson is a Fellow of the Australian Institute of Company Directors (FAICD) and Fellow of CPA Australia.

DR JOSH WILSON SC – Director

Dr Josh Wilson SC 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, he has been in active practice as a barrister continuously since 1987. He brings to the board many years of expertise as a Senior 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 and is qualified international arbitrator. He has taught at Keble College Oxford University and he has written a textbook on extradition law, as well as two more light-hearted books. Dr Wilson SC sits as the Chair of the Appeals Board of Football Federation of Victoria, he is a trustee of LawAid, he 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 has an extensive executive and non-executive career having been on the Metlink, CAE, MecwaCARE and VFF Boards as well as a Local Government commissioner and councillor and a fellow (FAICD) and council member of the Australian Institute of Company Directors Victoria for eight years. She brings a breadth of business skills includung specific knowledge of the transport industry and of strategic business drivers in fast changing, innovative and complex market based stakeholder environments. She has delivered significant change programs and continues an active consulting business where she delivers Board Governance programs, and strategic direction setting and implementation. Her starting point was in science then media and then telecommunications.

Corporate governance

V/Line executive as at 30 June 2013

ROB BARNETT
Chief Executive Officer
(to 19 October 2012)

ROSS PEDLEY
Acting Chief Executive Officer
(from 20 October 2012 to 19 May 2013)

THEO TAIFALOS
Chief Executive Officer
(from 20 May 2013)

GEOFF ARTHUR
General Manager Operations
Delivery, planning and development of our train and coach services.

TONY HENWOOD
General Manager Network Services
Provision of access to freight and passenger train operators.

GRAHAM PERRY
General Manager Engineering
Rolling stock engineering services, including maintenance of the current fleet and development of new trains.

PETER DAWSON
Acting General Manager Corporate and Finance
(from 21 Oct 2012)

ROSS PEDLEY
General Manager Corporate and Finance
Corporate and financial management services, including IT, contracts and procurement.

ANDREW LAST
General Manager Infrastructure
Maintenance and upgrade of rail, signalling and other infrastructure.

Since 30 June 2013, V/Line has implemented a new functional structure and executive leadership team which can be found at **www.vline.com.au**

JENNY KELMAN
General Manager Human Resources
Recruitment, training and HR services, industrial relations and organisational development.

LAURIE FOLEY
General Manager Safety, Security & Environment
Incident management and safe-working, security, risk and safety improvement programs, OH&S, DDA and environment.

COLIN TYRUS
Acting General Manager Marketing & Stakeholder Relations
(from 5 June 2013)

PAUL MATTHEWS
General Manager Marketing & Stakeholder Relations
(to 10 June 2013)
Customer relations, marketing and business development, communications and media and community relations.

REBECCA NORTHEAST
Company (Corporation) Secretary and Legal Coordinator
Legal services, company/corporation administration.

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* and therefore VLC reports 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.

On 1 October 2003 VLC acquired from the National Express Group, National Express Group Australia (V/Line Passenger) Pty Ltd, which is now named V/Line Pty Ltd (V/Line). VLC is the sole shareholder of the main operating entity, V/Line.

In 2003 V/Line entered into a franchise agreement with the Director of Public Transport (the Director), representing the State Government of Victoria, to operate regional rail throughout Victoria. On 2 April 2012 the franchise agreement was transferred from the Director to the Public Transport Development Authority (PTV), a statutory authority established under the Transport Integration Act. PTV had assumed many of the functions formerly performed by the Director. The franchise agreement expired on June 30, 2013 and V/Line will continue to deliver its services under a Services Agreement between V/Line and PTV for a term of three years with PTV having a further two year option to extend the Agreement.

In July 2004 the Director directed V/Line to facilitate the operation of heritage rail (i.e. steam) services on behalf of identified rail heritage groups.

In April 2007 the Director directed V/Line to operate the regional below-rail business following the state's buyback of the infrastructure from Pacific National. Since 5 May 2007 V/Line has facilitated track access for the operation of both passenger and freight rail services.

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 2013 were Hector McKenzie (Chair), Jack Diamond (Acting Deputy Chair), Marion Macleod, Susan Oliver, Dr Joshua Wilson SC, Moana Weir and John Wilson.

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 any areas of improvement.

Board committees

The board of V/Line has established three board committees: Audit and Risk Committee; the HR and Remuneration Committee; and Safety, Security and Environment Committee. Each committee has a charter that sets out its roles and responsibilities.

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.

Members at 30 June 2013 were John Wilson (Chair), Jack Diamond, Susan Oliver

Number of meetings held during the year: Five

Remuneration Committee:

Assists the board in the appointment, review and succession of the Chief Executive Officer and reviewing the remuneration policy of staff.

In adddition to the Committee meetings held during the year, members of this committee, with the assistance of Mr John Wilson, acted as the sub-Committee to make recommendations to the Board on the appointment of the new CEO.

Members as at 30 June 2013 were Moana Weir (Chair), Marion Macleod, Joshua Wilson SC and Hector McKenzie.

Number of meetings held during the year: Two

Safety, Security and Environment Committee:

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

Members as at 30 June 2013 were Jack Diamond (Chair), Hector McKenzie, Marion Macleod, John Wilson and Simon Lane (consultant).

Number of meetings held during the year: Seven

Corporate governance

Board and committee meeting attendance

The boards of VLC and V/Line generally hold bi-monthly meetings and additional meetings as required.

V/Line Corporation

	Board meetings		Special purpose board meetings	
Director	**Eligible to attend**	**Number attended**	**Eligible to attend**	**Number attended**
Hector McKenzie	6	5	1	1
Jack Diamond	6	6	1	1
Susan Oliver	6	4	1	1
Moana Weir	6	6	1	1
Marion Macleod	4	4	n/a	n/a
John Wilson	6	6	1	1
Dr Joshua Wilson SC	6	4	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	6	5	3	3
Jack Diamond	6	6	3	3
Susan Oliver	6	4	3	3
Moana Weir	6	6	3	3
Marion Macleod	4	4	n/a	n/a
John Wilson	6	6	3	3
Dr Joshua Wilson SC	6	5	3	3

Committees

	Remuneration		Safety, Security & Environment		Audit & Commercial Risk	
Director	**Eligible to attend**	**Number attended**	**Eligible to attend**	**Number attended**	**Eligible to attend**	**Number attended**
Hector McKenzie	2	2	7	5	2	2
Jack Diamond	2	2	7	7	5	5
Susan Oliver	n/a	n/a	1	1	5	5
Moana Weir	2	2	1	1	1	1
Marion Macleod	2	2	4	4	n/a	n/a
John Wilson	n/a	n/a	7	7	5	5
Dr Joshua Wilson SC	2	2	n/a	n/a	1	1
Simon Lane*	n/a	n/a	7	6	n/a	n/a
Michael Tilley*	n/a	n/a	n/a	n/a	2	2

*Consultants

Corporate governance

Access to information

Directors of VLC and V/Line are allowed 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 course of 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 2013.

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 as announced by the Minister for Finance in May 2012.

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. V/Line is yet to update its insurance register to include indemnities, hold harmless provisions, waiver of rights recovery, or releases from liability but it is intended to complete this over the next 12 months.

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
10 September 2013

Victorian Government Risk Management Framework Attestation – Direction 4.5.5.1 – Insurance

I, Hector McKenzie certify that V/Line Corporation through its wholly owned subsidiary and operating company, V/Line Pty Ltd, has complied with Ministerial Direction 4.5.5.1 – Insurance, except for part (b) of that Direction. V/Line has a register of its insurance policies but does not maintain at this time an up to date register of contractual indemnities, hold harmless provisions, waiver of rights recovery, or releases from liability. Over the coming 12 months V/Line will update its register to ensure compliance.

Hector McKenzie
Chairperson
10 September 2013

Corporate governance

Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by VLC. For the year ended 30 June 2013, VLC received 10 freedom of information requests. Six requests were from members of parliament, two from the media and two were from the general public. The majority of requests were acceded to and no decisions proceeded to internal review nor progressed to appeal at the Victorian Civil and Administrative Tribunal.

Requests under the *Freedom of Information Act* for documents in the possession of VLC:

- should be made in writing
- identify as clearly as possible which documents are being requested
- be accompanied by the statutory fee of $25.70 (the fee may be waived in certain circumstances)
- and addressed to:

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

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

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

Compliance with the *Building Act 1993*

It is V/Line policy to ensure that 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.

Whistleblowers Protection Act and *Protected Disclosures Act*

On 11 February 2013, the *Whistleblowers Protection Act 2001* (Vic) was replaced by the *Protected Disclosure Act 2012*. During the period the *Whistleblowers Protection Act* was in force for the 2012–13 financial year, no disclosures were received or investigations made, nor any disclosures referred to the Ombudsman, nor has the Ombudsman referred any disclosures, undertaken investigations or made any recommendation to VLC or V/Line.

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

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

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

Implementation of the Victorian Industry Participation Policy (VIPP)

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. V/Line's standard tendering procedures include compliance with VIPP as and when required.

V/Line entered into four contracts for the year ended 30 June 2012 to which VIPP thresholds applied and VIPP compliance was undertaken.

Availability of additional information

V/Line's publications and statements are principally found at **www.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 F*reedom 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 2013 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 10 September 2013.

Hector McKenzie
Chairperson

Theo Taifalos
Chief Executive Officer

Craig Barrett
Acting 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 2013 of V/Line Corporation which comprises the consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration by the board of directors, accountable officer and chief finance and accounting officer has been audited. The financial report includes 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 (d) 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 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 judgement, 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's 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.

Auditing in the Public Interest

Independent auditor's report

Independent Auditor's Report (continued)

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

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 2013 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 V/Line Corporation for the year ended 30 June 2013 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 V/Line Corporation's website. I have not been engaged to report on the integrity of 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
11 September 2013

for John Doyle
Auditor-General

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Auditing in the Public Interest

Consolidated Comprehensive Operating Statement

for the financial year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
CONTINUING OPERATIONS			
Income from transactions			
Revenue	2(a)	436,711	426,064
Other income	2(b)	88,474	119,289
Total income from transactions		**525,185**	**545,353**
EXPENSES FROM TRANSACTIONS			
Operational expenses	3(a)	310,326	287,943
Depreciation	3(b)	19,456	16,309
Administrative expenses		64,913	64,157
Selling expenses		2,219	2,182
Marketing and communication		3,408	3,766
Customer service expenses		3,394	3,416
Project expenses		40,424	69,329
Infrastructure maintenance		65,037	61,164
Trains provided free of charge – operating expenditure	1(i)	29,225	33,048
Total expenses from transactions		**538,402**	**541,314**
Net result from transactions (net operating balance)		**(13,217)**	**4,039**
OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT			
Net gain/(loss) on financial instruments	4(a)	(2,599)	(65)
Other gains/(losses) from other economic flows	4(b)	721	(2,251)
Total other economic flows included in net result		**(1,878)**	**(2,316)**
Net result from continuing operations before income tax		**(15,095)**	**1,723**
Income tax (expense) benefit	5(a)	4,178	96
Net result	**14**	**(10,917)**	**1,819**
OTHER ECONOMIC FLOWS – OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net result			
Movement in physical asset revaluation surplus		–	–
Items that may be reclassified subsequently to net result		–	–
Total other economic flows – other comprehensive income		**–**	**–**
COMPREHENSIVE RESULT		**(10,917)**	**1,819**

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

Consolidated Balance Sheet

as at 30 June 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	6	19,617	15,872
Receivables	7	25,827	41,267
Total financial assets		**45,444**	**57,139**
Non-financial assets			
Inventories	8	9,273	6,725
Property, plant and equipment	9	150,194	160,939
Other non-financial assets	10	1,206	933
Total non-financial assets		**160,673**	**168,597**
Total assets		**206,117**	**225,736**
LIABILITIES			
Payables	1(r),12	45,993	51,023
Current provisions	1(s),13	61,855	60,687
Non-current provisions	1(s),13	6,617	7,279
Deferred tax liabilities	5(b)	3,357	7,535
Total liabilities		**117,822**	**126,524**
Net assets		**88,295**	**99,212**
EQUITY			
Accumulated deficit	14	(26,390)	(15,473)
Physical asset revaluation surplus	14	114,685	114,685
Net worth		**88,295**	**99,212**
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 2013

	Notes	Physical Asset Revaluation Surplus $'000	Accumulated Deficit $'000	Total Equity $'000
Balance at 1 July 2011	**14**	**114,685**	**(17,292)**	**97,393**
Net result for the year	14		1,819	1,819
Other economic flows – other comprehensive income for the year		–		–
Balance at 30 June 2012	**14**	**114,685**	**(15,473)**	**99,212**
Net result for the year	14		(10,917)	(10,917)
Other economic flows – other comprehensive income for the year		–		–
Balance at 30 June 2013	**14**	**114,685**	**(26,390)**	**88,295**

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 2013

	Notes	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from government		424,519	447,960
Receipts from other entities		133,246	94,809
Interest received		1,106	1,812
Total receipts		**558,871**	**544,581**
Payments			
Payments to suppliers and employees		(533,195)	(518,519)
Goods and Services Tax paid to the ATO		(13,220)	(14,116)
Total payments		**(546,415)**	**(532,635)**
Net cash flows from/(used in) operating activities	**16**	**12,456**	**11,946**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases on non-financial assets		(8,711)	(14,534)
Net cash flows from/(used in) investing activities		**(8,711)**	**(14,534)**
Net increase/(decrease) in cash and cash equivalents		**3,745**	**(2,588)**
Cash and cash equivalents at the beginning of the financial year		15,872	18,460
Cash and cash equivalents at the end of the financial year	**6**	**19,617**	**15,872**

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 2013.

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

(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).

Where appropriate, those AASs 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 10 September 2013.

Notes to the Financial Statements

(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(n)); 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(s)).

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented for the year ended 30 June 2012.

This financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(c) Scope and presentation of financial statements

Consolidated comprehensive operating statement

Income and expenses in the consolidated comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows in an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes in the volume or value of an asset or liability that do not result from transactions but rather from market re-measurements. They may include gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets and fair value changes of financial instruments.

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

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*.

Notes to the Financial Statements

d) 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.

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	2013 $'000	2012 $'000
V/Line Pty Ltd	Australia	100%	–	–

(e) 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 Corporation is the delivery of subsidised public transportation services to regional Victoria which is consistent with FRD 108A. The Corporation has a Services Agreement with Public Transport Victoria (PTV) which determines the services that the Corporation provides and the payments received for those services. Hence, the Corporation'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 Corporation reflect achieving profit. The Corporation has been deemed to have a not-for-profit status and accordingly complies with accounting standards applicable to not-for-profit entities.

(f) Going concern

Notwithstanding the deficiency in net current assets of $51.9 million (2012: $46.9 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 2014 have been agreed with Public Transport Victoria under an approved budget allocation pursuant to the Services Agreement. The Sevices Agreement contains provisions for the corporation's funding requirements to be met by the State Government of Victoria throughout the 3 year period of the Services Agreement.

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 2014, 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.

(g) 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.

Notes to the Financial Statements

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.

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.

(h) 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.

(i) 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 Corporation and that it can be reliably measured.

TICKET SALES

Fare-box 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.

CONTRIBUTIONS

The State Government of Victoria provides subsidies that are recognised as revenue when they are controlled by the corporation, which is generally upon receipt of the subsidy.

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.

(j) 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.

(k) 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.

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 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.

(l) 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 spare parts 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.

Notes to the Financial Statements

(m) Investment in Subsidiaries

Investments in subsidiaries are carried at cost.

(n) Property, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently re-valued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. The cost of constructed assets includes the costs of all materials used in construction and direct labour costs of the project. The fair value of the Group's non-financial physical assets is normally determined by reference to the asset's depreciated replacement cost. For plant and equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

(i) Valuation of rolling stock and rotables

Non-financial physical assets are measured at fair value in accordance with FRD 103D issued by the Minister for Finance. A full revaluation occurs every 5 years, based on the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in value.

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 103D, 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 movements in equity', 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 movements in equity' 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 movements in equity' reduces the amount accumulated in equity under the asset revaluation surplus.

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.

(ii) Depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, including rolling stock and leasehold improvements. The rolling stock fleet comprises diesel electric locomotives, carriages, diesel multiple units (known as sprinters) and vans.

Repairs and maintenance work on 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.

Notes to the Financial Statements

(iv) Leasehold improvements

The cost of improvements to leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

(o) Leased assets

(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, such incentives are recognised as a liability. 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.

(p) Impairment of non-financial assets

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

- Deferred tax assets (refer Note 1(g));
- Inventories (refer Note 1(l)); and
- Prepayments (refer Note 1(q)).

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 change 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.

(q) 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.

(r) Payables

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

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. 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.

(s) 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, annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled, including related on-costs. In accordance with AASB 119, the liability for annual leave, as a present entitlement of employees, is classified as a current liability.

Notes to the Financial Statements

(ii) Long service leave

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

Long service leave liabilities are assessed at balance date having regard to expected future wage and salary levels, experience of employee departures and periods of service.

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:

- nominal value-component that the corporation expects to settle within 12 months; and
- present value-component that the corporation does not expect to 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 (refer to Note 1(c)).

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. 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.

(iv) Employee benefits on-costs

Employee benefit on-costs such as payroll tax, workers compensation and superannuation are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(t) Commitments

Commitments for future expenditure include operating commitments arising from contracts. Commitments are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable.

(u) 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, and if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

(v) 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 $2,599,270 increase in the provision for doubtful contractual receivables in 2012–13 based on a detailed analysis of the recoverability of individual accounts.

(iii) Useful lives of property, plant & equipment

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

(iv) Recovery of deferred tax asset

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

(w) 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 2013. As at 30 June 2013, the following standards and interpretations had been issued but were not mandatory for the financial year ended 30 June 2013. The Group has not, and does not intend to adopt these standards early.

Notes to the Financial Statements

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*.	Beginning 1 Jan 2015.	Detail of impact is still being assessed.
AASB 13 *Fair Value Measurement*	This standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AAS's. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	Beginning 1 Jan 2013.	This standard may increase the disclosures made for fair value measurements as V/Line has assets that are measured using depreciated replacement cost.
AASB 1053 *Application of Tiers of Australian Accounting Standards*	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Beginning 1 Jul 2013.	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]*	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013.	No significant impact is expected from these amendments on entity reporting.
AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	Beginning 1 Jul 2013.	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian Public Sector.

Notes to the Financial Statements

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]*	These amendments are in relation to the introduction of AASB 9.	Beginning 1 Jan 2013.	No significant impact is expected from these amendments on entity reporting.
AASB 2010-10 *Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]*	The amendments ultimately affect AASB 1 *First-time Adoption of Australian Accounting Standards* and provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	Beginning 1 Jan 2013.	No significant impact is expected from these amendments on entity reporting.
AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]*	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	Beginning 1 July 2013.	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian Public Sector.
AASB 2011-4 *Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements [AASB 124]*	This Standard amends AASB 124 *Related Party Disclosures* by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	Beginning 1 Jul 2013.	No significant impact is expected from these amendments on entity reporting.
AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132].*	This Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.	Beginning 1 Jan 2013.	This Standard may increase the disclosure for fair value measurements as V/Line has assets that are measured using depreciated replacement cost.

Notes to the Financial Statements

	Notes	2013 $'000	2012 $'000
NOTE 2 INCOME FROM TRANSACTIONS			
(a) Revenue			
Fare-box revenue		89,852	85,896
Inter-operator income		982	1,150
Franchise subsidy		297,985	284,124
Access charges		6,991	6,178
Other income		11,676	15,668
Trains received free of charge		29,225	33,048
		436,711	**426,064**
(b) Other income			
Interest-other persons/corporation		1,106	1,812
Government project re-imbursement revenue		87,368	117,477
		88,474	**119,289**
Total income from transactions		**525,185**	**545,353**
NOTE 3(a) OPERATIONAL EXPENSES			
Franchise performance penalty		6,107	2,559
Other direct costs		9,178	11,806
Fleet maintenance		77,262	74,069
Fuel costs		29,430	28,425
Road coach services		19,270	10,090
Access charges		19,987	19,428
Repairs & maintenance		4,699	4,988
		165,933	**151,365**
Direct labour costs			
Salaries and wages		111,509	104,025
Superannuation		12,902	12,398
Annual leave and long service leave expense		12,350	13,206
Other on-costs (payroll tax and work cover levy)		7,632	6,949
		144,393	**136,578**
Total operational expenses		**310,326**	**287,943**
NOTE 3(b) DEPRECIATION			
Depreciation of non-current assets			
Plant and equipment	9	1,889	1,280
Leasehold improvements	9	590	475
Rolling stock	9	9,846	9,846
Rolling stock - capitalised improvements	9	7,131	4,708
Total depreciation of non-current assets		**19,456**	**16,309**

Notes to the Financial Statements

	2013 $'000	2012 $'000
NOTE 4 OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT		
(a) Net gain/(loss) on financial instruments		
Impairment of contractual receivables	(2,599)	(65)
Total net gain/(loss) on financial instruments	**(2,599)**	**(65)**
(b) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service leave liability	721	(2,251)
Total other gains/(losses) from other economic flows	**721**	**(2,251)**
NOTE 5(a) INCOME TAX EXPENSE/(BENEFIT)		
Accounting profit/(loss) before income tax	(15,095)	1,723
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012: 30%)	(4,528)	517
Tax expense relating to non-temporary differences	–	–
Deferred tax expense relating to reversal of temporary differences	350	(613)
Income tax expense/(benefit)	**(4,178)**	**(96)**
The component of tax expense/(benefit) comprises:		
Current tax	–	–
Deferred tax	(4,178)	(96)
	(4,178)	**(96)**
Weighted average tax rate	28%	6%
NOTE 5(b) DEFERRED TAX LIABILITY		
Gross deferred tax assets – temporary differences		
Carry forward tax losses	12,604	12,046
Accruals	1,165	1,268
Provision for employee entitlements	19,486	19,144
Other provisions	2,010	1,505
Total deferred tax assets	**35,265**	**33,963**
Deferred tax liability		
Accelerated depreciation for taxation purposes	38,580	41,458
Other	42	40
Total deferred tax liability	**38,622**	**41,498**
Net deferred tax liability	**3,357**	**7,535**
Movement in deferred tax liability:		
Opening balance	7,535	7,631
Equity – tax effect of asset revaluation	–	–
Income tax expense/(benefit)	(4,178)	(96)
Aggregate deferred tax liability	**3,357**	**7,535**

Notes to the Financial Statements

	2013 $'000	2012 $'000
NOTE 6 CASH AND CASH EQUIVALENTS		
Cash at bank	19,455	15,765
Cash on hand	162	107
Total cash and cash equivalents	**19,617**	**15,872**
NOTE 7 RECEIVABLES		
Current receivables		
Contractual		
Trade receivables	27,610	40,449
Other receivables	530	129
Provision for doubtful contractual receivables (refer also Note 7(a))	(3,077)	(478)
	25,063	**40,100**
Statutory		
Fuel rebate receivable from the ATO	764	1,167
	764	**1,167**
Total receivables	**25,827**	**41,267**
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)	19,986	34,209
Other related parties	28	19
	20,014	**34,228**

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

	2013 $'000	2012 $'000
Balance at beginning of the year	**(478)**	**(413)**
Increase in provision recognised in the net result	(2,599)	(65)
Balance at end of the year	**(3,077)**	**(478)**

(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

	2013 $'000	2012 $'000
NOTE 8 INVENTORIES		
Spares and materials at cost	**9,273**	**6,725**
NOTE 9 PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
At fair value	35,822	31,399
Accumulated depreciation	(29,575)	(27,686)
Net carrying amount	**6,247**	**3,713**
Rolling stock		
At fair value	136,017	136,017
Accumulated depreciation	(29,538)	(19,692)
Net carrying amount	**106,479**	**116,325**
Leasehold improvements		
At fair value	6,646	5,955
Accumulated depreciation	(3,300)	(2,710)
Net carrying amount	**3,346**	**3,245**
Rolling stock – capitalised improvements		
At fair value	45,049	24,120
Accumulated depreciation	(13,646)	(6,515)
Net carrying amount	**31,403**	**17,605**
Capital works in progress	**2,719**	**20,051**
Total property, plant and equipment	**150,194**	**160,939**

Valuation of Rolling Stock

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

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 has been used as the primary method of valuation and has 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 2013 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:

	2013 $'000	2012 $'000
Plant and equipment		
Carrying amount at beginning of year	3,713	3,958
Additions	388	131
Transfers from works in progress	4035	957
Disposals	–	(53)
Depreciation expense	(1,889)	(1,280)
Carrying amount at end of year	**6,247**	**3,713**
Rolling stock at fair value		
Carrying amount at beginning of year	116,325	126,171
Additions	–	–
Impairment	–	–
Disposals	–	–
Depreciation expense	(9,846)	(9,846)
Carrying amount at end of year	**106,479**	**116,325**
Leasehold improvements		
Carrying amount at beginning of year	3,245	3,043
Additions	259	300
Transfers from works in progress	432	377
Depreciation expense	(590)	(475)
Carrying amount at end of year	**3,346**	**3,245**
Rolling stock at cost – capitalised improvements		
Carrying amount at beginning of year	17,605	13,261
Additions	7,286	7,664
Transfers from works in progress	13,643	1,388
Disposals	–	–
Depreciation expense	(7,131)	(4,708)
Carrying amount at end of year	**31,403**	**17,605**
Capital works in progress		
Carrying amount at beginning of year	20,051	16,281
Additions	778	6,492
Transfers to fixed assets	(18,110)	(2,722)
Carrying amount at end of year	**2,719**	**20,051**

Notes to the Financial Statements

	2013 $'000	2012 $'000
Total property, plant and equipment		
Carrying amount at beginning of year	160,939	162,714
Additions	8,711	14,587
Transfers from works in progress	18,110	2,722
Disposals	–	(53)
Depreciation expense	(19,456)	(16,309)
Transfers to fixed assets	(18,110)	(2,722)
Impairment	–	–
Carrying amount at end of year	**150,194**	**160,939**

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

NOTE 10 OTHER NON-FINANCIAL ASSETS

Prepayments	**1,206**	**933**

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(d).

NOTE 12 PAYABLES

Current payables		
Contractual		
Trade payables – unsecured	15,290	27,123
Accruals	15,636	13,077
Deferred income	763	933
Other payables	9,364	4,617
	41,053	**45,750**
Statutory		
GST payable	907	1,239
FBT payable	119	96
Other taxes payable	2,320	2,304
Superannuation payable	1,608	1,478
Work cover payable	(14)	156
	4,940	**5,273**
Total payables	**45,993**	**51,023**
Related party payables		
Amounts payable to related parties are as follows:		
Other related parties	2,459	1,521
	2,459	**1,521**

(a) Maturity analysis of contractual payables

Refer to Note 15 for the maturity analysis of contractual payables.

Notes to the Financial Statements

	2013 $'000	2012 $'000
NOTE 13 PROVISIONS		
Current provisions		
Annual leave		
– unconditional and expected to be settled within 12 months (i)	12,992	13,153
– unconditional and expected to be settled after 12 months (i)	8,662	8,768
Other leave		
– unconditional and expected to be settled within 12 months (i)	2,265	2,318
– unconditional and expected to be settled after 12 months (i)	1,510	1,545
Long service leave		
– unconditional and expected to be settled within 12 months (i)	6,911	6,458
– unconditional and expected to be settled after 12 months (ii)	25,997	24,293
Other provisions – employee related	3,518	4,152
Total current provisions	**61,855**	**60,687**
Movement in other provisions:		
Balance at beginning of the year	**4,152**	**4,815**
Amounts used during the year	(634)	(663)
Balance at end of the year	**3,518**	**4,152**
Non-current provisions		
Long service leave	6,617	7,279
Total non-current provisions	**6,617**	**7,279**
NOTE 14 EQUITY		
Accumulated deficit		
Balance at beginning of the year	**(15,473)**	**(17,292)**
Net result	(10,917)	1,819
Balance at end of the year	**(26,390)**	**(15,473)**
Physical asset revaluation surplus		
Balance at beginning of the year	**114,685**	**114,685**
Balance at end of the year	**114,685**	**114,685**

(i) These amounts are recorded at nominal amounts.
(ii) These amounts are recorded at present value.

Notes to the Financial Statements

NOTE 15 FINANCIAL INSTRUMENTS

(a) Financial risk management, objectives and policies

The Consolidated entity's financial instruments consist of 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 2013 and 2012.

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 – cash 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**	**–**

Notes to the Financial Statements

	Contractual financial assets – cash and receivables $'000	Contractual financial liabilities at amortised cost $'000
2012		
Contractual financial assets		
Cash and cash equivalents	15,872	–
Trade and other receivables	40,100	–
Total contractual financial assets	**55,972**	**–**
Contractual financial liabilities		
Trade and other payables	–	44,817
Total contractual financial liabilities	**–**	**44,817**
Net gain/(loss) on financial instruments by category		
Interest income	1,812	–
Total net gain/(loss) on financial instruments	**1,812**	**–**

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 consolidated entity's exposure to market risk is primarily through interest rate risk, while the risk to foreign exchange and equity price risks is low.

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 consolidated entity has minimal exposure to cash flow interest rate risks through its cash and cash equivalents that are at a floating rate.

Notes to the Financial Statements

As at 30 June 2013 and 2012 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
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**
2012			
Financial assets			
Cash and cash equivalents	15,872	–	15,872
Trade and other receivables	–	40,100	40,100
Total financial assets	**15,872**	**40,100**	**55,972**
Weighted average interest rate	3.42%	n/a	
Financial liabilities			
Trade and other payables	–	44,817	44,817
Total financial liabilities	**–**	**44,817**	**44,817**

(c) Credit risk

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 Corporation. 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

Provision of impairment for contractual financial assets is calculated based on objective evidence that the corporation 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
2013			
Contractual financial assets			
Cash and cash equivalents	19,617	–	19,617
Trade and other receivables	–	19,659	19,659
Total contractual financial assets	**19,617**	**19,659**	**39,276**
2012			
Contractual financial assets			
Cash and cash equivalents	15,872	–	15,872
Trade and other receivables	–	27,876	27,876
Total contractual financial assets	**15,872**	**27,876**	**43,748**

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
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**
2012							
Receivables:							
Trade receivables	40,449	27,747	4,052	3,360	4,812	–	478
Other receivables	129	129	–	–	–	–	–
Total	**40,578**	**27,876**	**4,052**	**3,360**	**4,812**	**–**	**478**

Notes to the Financial Statements

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

	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents	19,617	15,872
Trade and other receivables	25,063	40,100
	44,680	**55,972**
Financial liabilities		
Trade and other payables	40,290	44,817
Net financial assets	**4,390**	**11,155**

(d) 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(f) 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 2014, 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

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
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**	**–**	**–**
2012					
Payables:					
Trade payables	27,123	–	27,123	–	–
Accruals	13,077	–	13,077	–	–
Other payables	4,617	4,617	–	–	–
Total	**44,817**	**4,617**	**40,200**	**–**	**–**

Price risk

The Corporation is not exposed to any material commodity price risk.

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

	2013 $'000	2012 $'000
Net result for the period	**(10,917)**	**1,819**
Non-cash movements		
Depreciation of non-current assets	19,456	16,309
Tax expense/(benefit)	(4,178)	(96)
Movements in assets and liabilities		
(Increase)/decrease in trade and other receivables	15,440	(19,818)
(Increase)/decrease in inventories	(2,548)	39
(Increase)/decrease in prepayments	(273)	(258)
(Decrease)/increase in trade and other payables	(5,030)	8,982
(Decrease)/increase in employee benefits	506	4,969
Net cash flows from/(used in) operating activities	**12,456**	**11,946**

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet		
Cash at bank	19,455	15,765
Cash on hand	162	107
	19,617	**15,872**

NOTE 17 RESPONSIBLE PERSONS

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

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

Responsible Ministers:

Minister for Public Transport & Roads	The Hon. Terry Mulder MP	1 Jul 2012 to 30 Jun 2013
Treasurer	The Hon. Kim Wells MP	1 Jul 2012 to 13 Mar 2013
Treasurer	The Hon. Michael O'Brien MP	14 Mar 2013 to 30 Jun 2013

Accountable Officer:

The persons who held the position of Accountable Officer during the year ended 30 June 2013 were;

Chief Executive Officer	Mr R J Barnett	1 Jul 2012 to 19 Oct 2012
Acting Chief Executive Officer	Mr R E Pedley	20 Oct 2012 to 19 May 2013
Chief Executive Officer	Mr T Taifalos	20 May 2013 to 30 Jun 2013

Notes to the Financial Statements

Directors of the Board:

The Directors of the parent entity during the year ended 30 June 2013 were:

Mr Hector McKenzie

Ms Moana Weir

Mr Jack Diamond

Ms Susan Oliver

Mr John Wilson

Dr Joshua Wilson SC

Ms Marion Macleod

Dr Joshua Wilson SC was appointed as a Director of the corporation on 1 July 2012.

Ms Marion Macleod was appointed as a Director of the Corporation on 7 November 2012.

All Directors listed above were as at 30 June 2013 Directors of V/Line Pty Ltd which forms part of the consolidated entity.

Remuneration

Remuneration received or receivable by the Accountable Officers in connection with the management of the Corporation during the reporting period was in the range of $620,000 – $629,999 ($430,000 – $439,999 in 2011–12). The base remuneration received by the Accountable Officers during the reporting period was in the range of $550,000 – $569,999 ($390,000 – $399,999 in 2011–12).

The base and total remuneration paid or payable to all Directors during the reporting period was $226,605 ($168,567 in 2011–12).

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

	2013 No.	2012 No.
Income band		
$10,000 – $19,999	1	–
$20,000 – $29,999	3	1
$30,000 – $39,999	2	2
$40,000 – $49,999	–	–
$50,000 – $59,999	1	–
$60,000 – $69,999	–	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

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.

Income Band	Total Remuneration		Base Remuneration	
	2013 No.	2012 No.	2013 No.	2012 No.
$100,000 – $109,999	–	–	–	–
$110,000 – $119,999	–	–	–	–
$120,000 – $129,999	–	–	1	–
$130,000 – $139,999	–	–	–	–
$140,000 – $149,999	1	–	–	1
$150,000 – $159,999	–	–	1	–
$160,000 – $169,999	2	1	1	–
$170,000 – $179,999	–	–	–	–
$180,000 – $189,999	–	–	1	1
$190,000 – $199,999	–	1	–	2
$200,000 – $209,999	1	–	1	–
$210,000 – $219,999	–	2	–	–
$220,000 – $229,999	1	–	1	1
$230,000 – $239,999	1	–	3	2
$240,000 – $249,999	–	–	–	–
$250,000 – $259,999	3	3	–	–
$260,000 – $269,999	–	–	–	1
$270,000 – $279,999	–	–	–	–
$280,000 – $289,999	–	–	–	–
$290,000 – $299,999	–	1	–	–
Total number of executives	**9**	**8**	**9**	**8**
Total annualised employee equivalent (AEE) (i)	**8**	**8**	**8**	**8**
Total Amount	**$1,902,708**	**$1,846,332**	**$1,754,055**	**$1,684,572**

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

There were no other personnel engaged by the Corporation as contractors and charged with significant management responsibilities.

Notes to the Financial Statements

NOTE 19 REMUNERATION OF AUDITORS

	2013 $'000	2012 $'000
Amounts received or due and receivable by the auditors for auditing the group:		
– audit of the financial statements – Victorian Auditor General's Office	87	85
	87	**85**

NOTE 20 RELATED PARTY DISCLOSURES

Related party	Nature of transaction	Terms and conditions	2013 $	2012 $
Payments				
Public Transport Victoria (PTV)	Provision of network marketing and customer information services including operation of a call centre	In accordance with the Franchise Agreement	3,241,161	3,144,286
Victorian Rail Track	Provision of communication services	In accordance with agreement between the parties	15,091,842	11,837,268
Public Transport Victoria (PTV)	Miscellaneous payments made under the Operating Performance Regime	In accordance with the Franchise Agreement	6,717,729	2,815,122
Transport Ticketing Authority	Reimbursement of Accounts Receivable staff salary and wages	In accordance with agreement between the parties	22,210	196,357
Receipts				
Public Transport Victoria (PTV)	Provides funding to the corporation	In accordance with the Franchise Agreement	327,783,500	312,536,400
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	118,007,855	115,985,098
Victorian Rail Track	Management fee for rent collection	In accordance with agreement between the parties	–	6,462
Victorian Rail Track	Network access charges	In accordance with agreement between the parties	59,034	42,878

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

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.

Commitments for minimum contractual payments in relation to non-cancellable operating leases are payable as follows:

	2013 $'000	2012 $'000
Within one year	5,463	4,357
Later than one year but not later than 5 years	8,809	3,571
Later than 5 years	1,956	–
Total operating lease commitments (inclusive of GST)	**16,228**	**7,928**
Less GST recoverable from the ATO	1,475	721
Total operating lease commitments (exclusive of GST)	**14,753**	**7,207**

NOTE 22 SUPERANNUATION

Employees of the corporation are entitled to receive superannuation benefits and the Goup 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 the entity 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 corporation.

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

	Paid contribution for the year		Contributions outstanding at year end	
Fund	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
Defined benefit plans(i)				
State Superannuation Fund – revised and new	5,636	5,791	489	501
Transport Superannuation Fund	1,605	1,530	172	136
Total defined benefit plans	**7,241**	**7,321**	**661**	**637**
Defined contribution plans				
VicSuper	4,580	4,271	638	553
Various other	2,169	2,173	309	288
Total defined contribution plans	**6,749**	**6,444**	**947**	**841**
Total superannuation plans	**13,990**	**13,765**	**1,608**	**1,478**

(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 2013, 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 Franchise Agreement and the Regional Infrastructure Lease, V/Line in consultation with Public Transport Victoria is required to repair the damage sustained. V/Line's 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 re-instatement with any differential in payments between the insurance payments and actual repair costs for works undertaken being funded by Public Transport Victoria.

On 28 May 2008, the EPA issued V/Line with a Clean-Up Notice in relation to contamination on railway land in Ararat that is adjacent to a former gasworks site which is being remediated. A Clean- Up Plan has been finalised for the site with costs estimated to be less than $1 million. However, a small parcel of land on the V/Line controlled lease (not in the main contamination area) is zoned as residential and further testing has been required to be performed on this part of the site. As the land is still on V/Line's infrastructure lease for rail operations the option of re-zoning is currently being pursued given that the land is not used for residential purposes. If this application is not granted some additional clean-up costs will be incurred. V/Line as the occupier of the land and the recipient of the Notice is managing the remediation. However, as the contamination pre-dates V/Line's taking over the lease of the land, V/Line expects to recover these expenses from Public Transport Victoria under the terms of its Regional Infrastructure Lease.

On 18 November 2008 the EPA issued V/Line with a Pollution Abatement Notice in relation to discharge into a stormwater drain from the refuelling of trains at Traralgon. V/Line identified a fuelling defect in some of its rolling stock. A modification program was undertaken to rectify the defect. V/Line has recovered some costs from the manufacturer. As a result of an independent environmental audit, V/Line has been conducting soil, surface water and ground water monitoring programs for the past two years, and is expecting to continue this for at least another two years at a cost of approximately $36,000 per year. V/Line is investigating a long-term solution which involves upgrading drainage at the site. This project is estimated to cost approximately $2.5 million.

NOTE 24 SUBSEQUENT EVENTS

Subsequent to year end, a Services Agreement will be entered into with PTV to replace the Franchise Agreement. The Services Agreement sets out the performance obligations and shared objectives for V/Line in operating rail and coach services for a 3 year period to 30 June 2016. There is sufficient funding under the Services Agreement for the period ending 30 June 2014.

There was not any 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 consolidated entity in subsequent financial years.

NOTE 25 ECONOMIC DEPENDENCY

The consolidated entity 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 consolidated entity could not continue as a going concern. The subsidy requirements for the year ending 30 June 2014 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 Outcomes

Shareholder & Contractual Outcomes	Customer & Transport Outcomes	Community & Economic Outcomes
• Shareholder Confidence • Value for Money • Contractual Compliance	• Safe & Secure Regional Public Transport • Reliable and Accessible Regional Public Transport • Environmentally Sustainable Regional Public Transport	• Social and Economic Connectedness • Regional Growth and Prosperity

Strategic Priorities and Objectives

The Way We Do Business

Strategic Priorities	Strategic Objectives
1. **Shaping** Our Business Model, Practices and Systems	• Optimised allocation and utilisation of our resources • Efficient and effective business practices • Maximising value for money
2. **Strengthening** Our Culture and Workforce	• The culture of a modern and capable organisation • Mobilising the talent and potential of our workforce • Improved productivity, responsibility and accountability
3. **Building** Productive Relationships.	• Achieving mutual value through successful partnerships • Being a valued adviser on transport matters

The Business We Do

Strategic Priorities	Strategic Objectives
1. Service **Delivery**	• Delivery of our mission • Satisfied, well informed, engaged customers • Seamless end to end customer journeys
2. Asset **Stewardship**	• Optimise the utility of transport assets • Optimising track access provision
3. **Major Project** Delivery and Integration	• Operational readiness for myki and RRL • Enhanced major project capability and capacity

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 will continue to deliver its services under an updated Services Agreement with PTV in 2013–14 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. Going forward V/Line will manage 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: Lost Time Injury Frequency Rate (LTIFR); Signals Passed At Danger (SPADs); Service Delivery: 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 Public Transport Victoria (PTV).

In accordance with the requirements of V/Line's Services Agreement, regular reports covering all areas of V/Line's business are provided to PTV. As a State Owned Entity, V/Line also provides performance reports to the Department of Treasury and Finance.

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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