Annual Report
2016–17

TRANSPORT FOR VICTORIA

PUBLIC TRANSPORT VICTORIA

Putting the passenger at the centre of everything we do

Published by

Public Transport Development Authority operating as Public Transport Victoria

750 Collins Street, Docklands VIC 3008.

ISSN 2202–8315 (online)

Print managed by Finsbury Green, Level 9, 124 Exhibition Street, Melbourne VIC 3000.

This document is available in an accessible format at **ptv.vic.gov.au**

Public Transport Victoria

Annual Report 2016–17

Abbreviations

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AO	Order of Australia
ATO	Australian Taxation Office
AUD	Australian dollars
BAU	business as usual
CBD	central business district
CCTV	closed-circuit television
CEO	Chief Executive Officer
CNPL	Civic Nexus Pty Ltd
CSO	community service obligation
cyl	cylinder
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
DHHS	Department of Health and Human Services
DTF	Department of Treasury and Finance
DWG	designated working group
EMS	Environment Management System
FOI	Freedom of Information
FOIC	Freedom of Information Commissioner
FRD	Finance Reporting Direction
FTE	full-time equivalent
GPT	General Property Trust
GST	goods and services tax
HSRs	Health and Safety Representatives
IBAC	Independent Broad-based Anti-corruption Commission
ICT	information communications technology
IRP	Issue Resolution Procedure
ISO	International Organisation for Standardisation
KDR	Keolis Downer
km	kilometre
KPMG	Klynveld Peat Marwick Goerdeler
LIDP	local industry development plan
LPG	liquefied petroleum gas
LSL	long service leave
MJ	megajoule
MP	Member of Parliament
MTM	Metro Trains Melbourne
n/a	not applicable
NDYLTK	Norman, Disney and Young, LTK Engineering Services
NPV	net present value
NTT	Nippon Telegraph and Telephone
OHS	Occupational Health and Safety
ONRSR	Office of the National Rail Safety Regulator
PIN	Provisional Improvement Notice
PPP	Public Private Partnership
PTV	Public Transport Victoria
RTW	return to work
SDA	Services and Development Agreement
STS	senior technical specialist
t CO_2 e	tonnes of carbon dioxide equivalent
UIC	Union Internationale Des Chemins de Fer
USD	United States dollars
VAGO	Victorian Auditor-General's Office
VCAT	Victorian Civil and Administrative Tribunal
VicFleet	Victorian State Government vehicle pool
VicRoads	Roads Corporation of Victoria
VicTrack	Victorian Rail Track Corporation
VIPP	Victorian Industry Participation Policy
V/Line	V/Line Corporation
VMIA	Victorian Managed Insurance Authority
VPS	Victorian Public Service
VWA	Victorian WorkCover Authority

2016–17 Annual Report
Accountable Officer's declaration

19 September 2017

Hon Jacinta Allan MP
Minister for Public Transport
1 Spring Street
Melbourne VIC 3000

Dear Minister

Annual Report 2016–17

In accordance with provisions of the *Financial Management Act 1994* (Vic), I am pleased to present the Public Transport Development Authority's Annual Report for the year ended 30 June 2017.

Jeroen Weimar
Chief Executive
Public Transport Development Authority operating as Public Transport Victoria

Report of operations

Section 1
Year in review

Section 1
Year in review

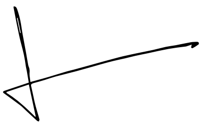
2016–17 Report of operations Accountable Officer's declaration

Public Transport Victoria – Report on Operations

On behalf of the Public Transport Development Authority, operating as Public Transport Victoria, I am pleased to submit Public Transport Victoria's Report of Operations in accordance with Direction 5.2.3 of the Standing Directions of the Minister for Finance.

This report provides information on:

- Year in review
- Governance and organisational structure
- Workforce data
- Other disclosures.



Jeroen Weimar
Chief Executive
Public Transport Development Authority operating as Public Transport Victoria

19 September 2017

Our vision

A public transport service that Victorians value and choose to use.

Our purpose

To get people where they want to go by providing a safe, reliable and inclusive public transport network.

Our values

Passenger first

We put the passenger first. Passenger safety is paramount, and we innovate to transform the passenger experience.

Collaboration

We are united by common goals, not defined by reporting lines and organisational structure.

Passion

We enthusiastically advocate for public transport use.

Delivery excellence

We uphold high professional standards in how we manage our work, ensuring we achieve results while working safely.

Integrity

In our interactions with each other, our partners and our customers we will be reliable, open and transparent.

Section 1
Year in review

Chief Executive's foreword

More people than ever before are relying on Victoria's public transport network. Every week, more than 10 million journeys are made on our trains, trams, buses and coaches – enabling people to get to work, school and access critical services, as well as socialise, shop and participate in some of the world's best cultural, artistic and sporting events.

As the fastest growing state in Australia, Victoria's expanding economy and increasing population depends on an efficient and effective public transport system. Our transport operators have, on the whole, sustained strong levels of performance – building confidence amongst our passengers and providing the platform for significant improvements to the network.

The resurgence of our regional train network continues apace with 130 per cent growth in passenger trips over the past decade. V/Line is now running over 2,000 train services a week – 40 per cent more than in 2014 and 21 new VLocity trains were deployed onto the network in the 2016–17 financial year. The rapid growth of communities in outer suburban areas is reflected in the $1.57 billion Regional Rail Revival program with major works to duplicate sections of the Ballarat line already underway.

The world's largest tram network continues to grow and is now attracting record numbers of tram passengers. With strong residential population growth in Melbourne's inner suburbs, we are continuing to invest in the tram network. There are now 55 of our new E-Class trams – built in Dandenong – running on the network, with a further 25 due to be delivered.

There is now visible evidence of significant investment in Melbourne's metropolitan rail network. Ten level crossings have been removed over the past two years with a further 15 under construction.

Early works have started for the Metro Tunnel which will transform the capacity of our metropolitan rail network and allow us to deliver a 'turn and up go' metro-style service within the next decade. Work is also well advanced on the bigger high capacity metro trains which will be introduced to the Cranbourne and Pakenham lines in 2019.

PTV's focus is not only on ensuring the delivery of these major infrastructure works but also maintaining the existing network. Every single day our operators are conducting improvement works somewhere on the network.

Despite some major line closures over the past year our passenger feedback highlights that Victorians want the work completed so that we can deliver more frequent and reliable public transport services to meet growing future demand.

Jeroen Weimar
Chief Executive

With the establishment of Transport for Victoria, PTV has been able to focus on its core responsibilities of delivering for our passengers and advocating for the best possible public transport network outcomes. We have worked closely with our colleagues across government to set robust network requirements and standards, provide effective assurance and identify opportunities to improve our passenger services.

Through Transport for Victoria's Network Impact Management Plan we were able to work with a range of stakeholders to deliver three major phases of infrastructure work across roads, rail and trams with far less disruption to passengers and road users than initially forecasted.

We also continue to work closely with our operators to improve reliability and punctuality and to ensure value for money. This has included significant contract retendering and renegotiation including our new myki contract with NTT Data Payment Services Victoria and the ongoing commercial discussions with the metropolitan train, tram and bus operators.

We recognise the critical role that public transport plays in the lives of our passengers. Through our work with the Public Transport Accessibility Committee and our partners at Guide Dogs Victoria, Travellers Aid and Ladder, we have improved our understanding of the physical, social and cultural barriers that many people face. While we have much more to do, our new design standards for stations and our new passenger service standards are starting to deliver tangible improvements for thousands of our passengers.

Safety is critical in everything we do. The Safer Country Crossings Program has meant that 39 country road and pedestrian railway level crossings are now better protected with booms, bells, barriers and lights. The Victorian Railway Crossing Safety Steering Committee is undertaking critical research into technology, behaviours and risk assessment which will enable further improvements in the safety of our railways, roads and communities.

None of this would be possible without the hard working people at PTV. Through a period of huge investment and significant change, our staff have been focused on delivering for our passengers now and into the future. They have delivered projects, managed contracts, improved bus services, implemented timetables, talked with customers, provided strategic advice to government, run our systems, and ensured that we deliver value for money for the Victorian public.

It is an honour and a privilege to lead this talented, dedicated and creative group of people who share a passion for Victoria's public transport network. Together we are proud to deliver this annual report to the government and all Victorians.

Jeroen Weimar
Chief Executive

Section 1
Year in review

Purpose and functions

The Public Transport Development Authority, trading as Public Transport Victoria (PTV), commenced operations on 2 April 2012 following an amendment to the *Transport Integration Act 2010*.

The object of Public Transport Victoria is to coordinate, provide, operate and maintain a safe, punctual, reliable and clean public transport system consistent with the vision statement and the transport system objectives.

In seeking to meet its legislation objective, PTV's core functions include:

- Ensuring that the public transport system operates as part of an integrated transport system which seeks to meet the needs of all transport system users.
- Managing the public transport system to support a sustainable Victoria.
- Contributing to social wellbeing by providing access to opportunities and supporting liveable communities.
- Promoting economic prosperity though efficient and reliable movement of public transport users while also supporting rail freight services.
- Working with its partners to improve the safety of public transport for public transport users.

PTV supports the Minister for Public Transport, Hon Jacinta Allan MP.

PTV's Four Priority Pillars and outcomes framework

VISION
A public transport service that Victorians value and choose to use

PURPOSE
We get people where they want to go by providing a safe, reliable and inclusive public transport network

COMMITMENT
We put the passenger at the centre of everything we do

Public value outcomes

- Every Victorian can connect and participate
- Victoria is prosperous and sustainable
- Every Victorian travels safely

DELIVERING PASSENGER SERVICES

MANAGING FRANCHISEES AND OPERATOR AGREEMENTS

ENABLING NETWORK INTEGRITY AND PROGRAM DELIVERY

MANAGING NETWORK OPERATIONS

Enabling a high performing organisation

Section 1
Year in review

Achievements this year

PTV gets people where they want to go by providing a safe, reliable and inclusive network of trains, trams and buses.

PTV does this in collaboration with partners and transport operators.

Every Victorian can connect and participate

Extra V/Line services

Eighty new train services were added across the regional network when a new V/Line timetable was introduced in January 2017. The Geelong line benefited from 18 new weekly services, while the Bendigo, Ballarat and Traralgon lines each received an extra 10 weekly services.

Meanwhile, 12 weekly services were added to the Warrnambool line, the first new services for that line in more than a decade. The 80 extra services were the first of more than 170 announced as part of the 2016–17 Victorian Budget.

Better bus networks

Communities across Victoria are benefiting from extra buses, servicing more areas, with the delivery of the Victorian Government's $100 million Better Bus Network program.

- In Ballarat, 15 simpler, more direct bus routes, that connect with the train station, have replaced 19 former routes and provide more services than there once was.
- Casey residents have access to improved routes, more frequent services and shorter waits with the new Cranbourne bus network.
- Six new routes in Plenty Valley are providing better access to towns, shopping centres and universities, while also improving services for school students.
- The Warragul and Drouin Bus Network has six new routes, new stops and extended operating hours.
- In the Latrobe Valley, a new bus network is making it easier to travel between local towns.
- Another new weekday bus service has been introduced between Greensborough station and Hurstbridge station to help ease parking congestion at Greensborough station.

In addition, the bus interchange at Cranbourne station was upgraded from two to six bus bays and a new interchange was built at Diamond Creek to support the new bus service between Greensborough and Hurstbridge.

The upgraded interchanges have moved bus stops closer to the stations, provided more comfortable waiting areas and helped ease parking pressure by encouraging more people to travel by bus.

PTV ensured new and changed public transport services were communicated clearly and widely to passengers. The comprehensive passenger communication program included passenger information, wayfinding, marketing and digital information that helped passengers understand and travel on new and changed services.

Woodend's new flexible bus service

A FlexiRide bus service was introduced for Woodend in the Macedon Ranges in October 2016. The wheelchair-accessible bus is small enough to travel the town's narrow streets and is on-call to pick up passengers for the cost of a public transport fare.

There is no set route for the service, but there are 31 designated stops around the town and Woodend Shopping Centre is the central departure/drop off point. The service departs and returns to the shopping centre seven times each weekday and runs between 9.00am and 4.30pm.

Passengers phone to book the service and are picked up from their nearest stop. They are given an estimated pick-up time, and the driver takes the most direct route to the passengers' destinations.

New train and tram network maps

PTV launched the new Victorian Train Network Map in January 2017. The map brings together the metropolitan and regional train networks for the first time. Previously, passengers had to use two very different train maps that had limited travel information and were hard to read.

The new map provides a different colour for each metropolitan train line and highlights interchanges where passengers can change between regional and metropolitan services.

PTV conducted rigorous user-testing to make sure the new train network map was effective in helping passengers plan and complete their journey. The new map also includes a grid linked to an alphabetical index at the side, to help people locate stations.

Section 1
Year in review

In May 2017, PTV unveiled a simpler and brighter new tram network map to coincide with a new timetable. The new tram map was developed after user testing workshops with Yarra Trams to understand how passengers used the tram network map.

The new map provides more detail on how tram routes connect with each other and with the train network.

Transporting passengers to special events

PTV helped Victorians travel to more than 1,100 special events during 2016–17, including:

- the Australian International Airshow at Avalon
- White Night Melbourne and White Night Ballarat
- New Year's Eve
- Spring Racing Carnival events at three racecourses
- the Royal Melbourne Show
- the St Kilda Festival
- stadium concerts for international artists.

This was on top of a full calendar of sporting events including the Australian Open, the World Cup of Golf, international soccer and rugby matches, Australian Football League, National Rugby League, cricket and fun runs.

Yarra Trams ran more than 28,500 extra services to get people to and from these events. Meanwhile, Metro Trains Melbourne provided more than 6,000 extra services and V/Line operated almost 700 extra services. Many of the events also required extra bus services.

Overall, public transport operators carried nearly two out of every five people who attended these events.

Helping passengers plan their journey

In October 2016, real-time metropolitan train information was introduced to the PTV app. Using the Next 5 feature on the app, passengers can get up-to-the-minute information about departure times, platform numbers and cancellations on their phone. This was followed by the release of real time bus information for the Geelong and Ballarat networks. The introduction of real-time information on trains means real time information is now available on all public transport modes in Melbourne.

Each week during 2016–17, the PTV website received more than 600,000 visits and the PTV app hosted approximately 1.1 million sessions. Over the year, this equated to 116,809,674 online sessions, a 22.8 per cent increase on the number of sessions the previous year and represents more than 98 per cent of PTV's interactions with passengers.

Meanwhile in 2016–17, the customer service team answered 1,211,667 calls and 475,000 people visited the Southern Cross PTV Hub.

Exploring Melbourne by bus

A campaign to encourage Melburnians to explore their suburbs by bus was launched in Footscray in October 2016. The second phase ran in Wyndham, Port Phillip and Moreland councils from April 2017.

Passengers can explore bus routes in their local area by visiting melbournebybus.com.au and using the interactive network map to find out the most convenient bus routes and where they can go.

PTV also worked closely with a number of Australian artists to capture the iconography of local areas in Melbourne for posters and other campaign materials.

myki improvements

In 2016–17, PTV continued to improve the myki ticketing system to make it even easier to use.

- Faster next-generation gates and readers were rolled-out at stations around the network, including Montmorency, Ginifer and St Albans.
- The time to process online top-ups was reduced from 24 hours to around 90 minutes.
- Contactless payments for myki purchases and top-up were introduced at all myki vending machines.
- myki vending machines were re-branded and fitted with anti-glare screens.
- A trial of quick top up enquiry machines is ongoing at major train stations.
- myki vending machines were upgraded to support the introduction of the new Australian five dollar note.

Reducing the number of escalated complaints

On-the-spot penalty fares for public transport fare evasion were abolished from 1 January 2017, making fare enforcement simpler and fairer for all Victorians. There was a 14 per cent reduction in complaints about penalty fares escalating to the Public Transport Ombudsman.

Victoria is prosperous and sustainable

Flinders Street Station restoration

Extensive work is underway to restore the iconic Flinders Street Station – the heart of the city's train network. A $100 million package of works will repair the exterior of the Flinders Street Station administration building and improve the passenger experience.

The refurbished main concourse toilets were reopened to passengers in July 2016. Additional cubicles help to reduce waiting times and improve accessibility. In January 2017, scaffolding was erected to start repairs to the façade and repaint the station in its original 1910 colours.

New tram terminus in Acland Street

In November 2016, a brand new tram terminus was opened in St Kilda's iconic Acland Street. The Acland Street Upgrade project was part of the Victorian Government's tram procurement program, a package of works that includes new trams, new infrastructure and other upgrades to improve the accessibility, reliability and capacity of Melbourne's tram network.

The design of the Acland Street tram terminus turned one of Melbourne's most popular precincts into a contemporary, community-friendly streetscape. Safety was at the forefront, with part of the street closed to car traffic. This allowed the tram stop and new pedestrian plaza to be fully accessible. onsultation with the local community meant the design and functionality of the new terminus met the needs of residents, businesses and passengers once complete. Access to all businesses along the street was maintained throughout works.

New station at Caroline Springs

A new train station for Caroline Springs was opened in January 2017. Passengers using the station are benefiting from more than 280 services each week, with trains running to and from Southern Cross Station every 20–30 minutes during peak times and every 60 minutes during the day.

Two local bus routes were extended to improve access to the station and other destinations for the growing community. Locals also have access to a night coach service on Fridays and Saturdays.

New bus depots

Three new purpose-built bus depots were delivered during 2016–17. The Thomastown Depot, which services two of the three busiest bus routes in Melbourne, was opened in March 2017. The Sunshine West Depot opened in October 2016 and the Heatherton Depot opened in September 2016. The three depots were delivered under a $40 million bus depot project. The new bus depots ensure that the best facilities are available to support the efficient operation of the bus network. The new facilities are safe, environmentally focused and efficient. The project also secured the future of an existing depot in Keysborough by buying a site which was previously leased from a private landlord.

Lilydale station's second entrance

Late 2016 saw the opening of Lilydale station's second entrance, providing safer and faster access for passengers using the carpark. The pedestrian crossing at the second entrance was upgraded with automatic gates and audible alarms to protect the safety of people crossing the rail line. The entrance also features an accessible ramp and new myki readers to make transition between the car park and platform as easy as possible.

Intelligent Transport Systems Congress

In November 2016, PTV took part in Intelligent Transport Systems World Congress 2016. The event showcased intelligent transport systems from around the world and was attended by more than 11,000 delegates. PTV used the opportunity to explore new technology to improve the passenger experience. This included a trial of CCTV technology on the tram network to measure crowding on platforms and on board, with a view to providing this information to passengers in real time to support more informed travel choices. An interactive map showing vehicle locations, real time arrivals at stops and other information that may impact a journey, including road congestion and traffic alerts, was also on show.

Section 1
Year in review

Transition to new ticketing system services

A new contract was awarded to NTT Data Payment Services Victoria in July 2016 to operate the myki ticketing system. The new contract delivers higher performance requirements, a stronger performance management regime and a formal customer experience measure. The transition to the new ticketing system services contract was successful, with the system remaining reliable for passengers.

A large number of myki machines will be renewed over the life of the contract and the roll out of new devices will continue on E-Class trams.

In 2016–17, PTV continued to focus on the stabilisation of the ticketing system, which has delivered higher levels of customer satisfaction.

Extra trains

The first deliveries of more metropolitan and regional trains started in 2016–17. The first of 87 new VLocity regional carriages was delivered in October 2016, four months ahead of schedule. In addition, the first new X'Trapolis train was also delivered in October 2016 and is operating on the Alamein, Belgrave, Glen Waverley, Lilydale, South Morang and Hurstbridge lines. In total, 19 X'Trapolis and 87 VLocity carriages started being delivered this financial year. The X'Trapolis carriages are being built in Ballarat and the VLocity carriages are being manufactured in Dandenong.

Extra E-Class trams ordered

The first of 20 new E-Class trams ordered in 2015 are now operating in Melbourne. The low-floor E-Class trams are the biggest and most accessible in Victoria with low floors and space for 200 passengers. The trams also have dedicated spaces for passengers with prams and mobility aids and more hand rails and strap hangers.

In total, 80 of the new trams have been ordered and are being built at Bombardier in Dandenong using local suppliers.

E-Class trams on Route 86

In November 2016, E-Class trams started operating on Route 86, making the trip from Waterfront City in Docklands to Bundoora faster and more comfortable. A number of upgrades and alterations were made to ensure the longer E-Class trams can operate safely along the route, which travels through Docklands and Bourke Street Mall, and to the Princess Theatre, Melbourne Museum and High Street in Northcote.

Making trams greener

The Victorian Government has announced that all of the energy used to power trams will be offset from January 2019, under a scheme announced in January 2017. The scheme, created in partnership with the Department of Environment, Land, Water and Planning, will build a large-scale solar plant in regional Victoria. As well as encouraging the use of renewable energy in Victoria, the initiative will reduce greenhouse gas emissions by more than 80,000 tonnes each year, the equivalent of taking 17,000 cars off the road.

Every Victorian travels safely

Improving level-crossing safety

During 2016–17, 14 road level crossings and 25 pedestrian crossings were upgraded as part of the $50 million Safer Country Crossings Program and the Statewide Railway Crossing Upgrade Program.

Road level crossings were upgraded with a combination of boom gates, bells and warning lights to alert road users and pedestrians of an approaching train.

Pedestrian crossings were fitted with automatic gates that close when a train is approaching and emergency exit gates with electromagnetic latches. The crossing upgrades are prioritised using the Victorian Railway Crossing Safety Steering Committee's business rules, which employ the Australian Level Crossing Assessment Model to provide a risk-based approach.

June 2017 also marked 10 years since one of Victoria's worst rail crashes at a level crossing near Kerang in North East Victoria when a semi-trailer collided with a V/Line train. A coronial inquest into the incident made 25 recommendations, including improved signage and warnings at level crossings.

During 2016–17, PTV also chaired the Victorian Railway Crossing Safety Steering Committee, and participated in national and state rail crossing working groups and sub-committees.

Try Before You Ride

An annual event, Try Before You Ride, is designed to provide people of all abilities the opportunity to familiarise themselves with our public transport system. This includes people with a disability, parents with children and seniors. During 2016–17, PTV joined Victorian public transport operators to give customers access to a range of stationary vehicles.

Participants had a chance to boost their confidence by practicing how to board and alight a low-floor tram, low-floor bus, train, coach and accessible taxi.

Continuing to focus on public transport accessibility

The Public Transport Access Committee, which provides independent advice to the Minister for Public Transport and PTV on issues related to transport accessibility, was extended by two years until July 2019. The committee continues to provide a direct consumer and community voice for inclusive and accessible public transport, advocating for the needs of people with disabilities, older people and vulnerable groups.

During 2016–17, the committee provided input into PTV's design policies and technical requirements for transport infrastructure, and provided input into the design of the next generation High Capacity Metro Train. It also worked to improve the capacity of Authorised Officers to recognise and understand passengers with a range of individual needs and specific circumstances.

Integrated safety and environmental management systems

PTV signed a Safety and Environment Policy in November 2016, which confirms its commitment to safety and the environment, and will deliver improved public transport safety and environmental performance.

In December 2016, PTV launched an integrated safety and environment management system – Right Move. Right Move includes policies and procedures relating to people safety, project and change management, risk management, and leadership, governance and oversight.

PTV also implemented safety and environment guidance and approval gates within the investment lifecycle to ensure projects achieve safe and sustainable outcomes.

City Loop safety upgrade

The heart of Melbourne's train system – the City Loop – continued to benefit from a project to improve the safety and reliability of services. In 2016–17, a tender process was undertaken for sprinkler and platform smoke management system upgrades at Flagstaff, Melbourne Central and Parliament stations.

Managing incident responses

In 2016–17, more than 500 network incidents were successfully monitored and reported on by PTVs incident response team. PTV also led the public transport sector emergency response to severe storms, extreme heat events, significant public transport disruptions and police operations, including the Bourke Street attack in January.

The PTV Incident Control Centre allows for a multimodal, coordinated response to major or emerging incidents affecting public transport. A range of technological and structural enhancements have further improved PTV's ability to provide a streamlined response.

PTV also participated in several state and operator emergency exercises, which tested their ability to react to possible threats through simulated scenarios.

Section 1
Year in review

A high-performing organisation

Working in partnership with Transport for Victoria

PTV worked in partnership with the Department of Economic Development, Jobs, Transport and Resources, to transfer roles and functions to support a new agency – Transport for Victoria. This new agency is responsible for coordinating Victorian transport and planning for its future.

Transforming PTV

PTV launched a multi-year transformation program Moving with Purpose: ONBOARD2020 in early 2017. The program aims to make PTV a great place to work by delivering a range of initiatives to improve business systems and processes, culture, governance and organisational capability.

During the second half of the 2016–17 year, the project team created a narrative for the program with over 170 staff members, and engaged almost 80 per cent of the work force face-to-face to hear employees' ideas on how to make PTV a great place to work. This feedback informed the development of a roadmap of initiatives, which was delivered in June 2017, together with a new change management framework for PTV.

The change management framework provides a consistent approach for how PTV undertakes organisational change management, and includes a toolkit which is based on industry best-practice to ensure change is managed effectively and consistently across the organisation.

Developing our people

PTV has refreshed its leadership development approach. The People and Culture team introduced Connect and Capitalise, an executive leadership development program, and Inspire, a PTV management development program.

This holistic approach to people-growth extends beyond the organisation to the broader industry. An Industry Peer-to-Peer Mentoring Program in 2016–17 made use of PTV employees' capabilities to support the growth of people outside the organisation. The Industry Leadership Development Program brought together leaders from across the transport jurisdiction to collaborate and grow together.

In another initiative, an Industry Community Mentoring Program, transport leaders worked alongside long-term unemployed people, supporting them to improve their job prospects. Most mentees achieved one of their goals over the three-month program.

New PTV Enterprise Agreement

A new PTV Enterprise Agreement was approved by the Fair Work Commission and came into effect in August 2016. The new agreement focuses on helping employees balance work and family obligations. Key features of the four-year agreement include: wage increases over the life of the agreement, a one per cent per annum lump-sum progression payment available for employees at the top of their grade or value range, comprehensive family violence leave and support provisions, additional paid leave for secondary carers and grandparents on the birth or adoption of a child, additional compassionate leave where travel is required, one day each year to participate in a charitable activity, and the use of personal leave to support an elderly family member.

Occupational Health and Safety

PTV strengthened its commitment to its people in 2016–17 with the formation of the Business Partnering Team. The team comprises people-centric functions including human resources and recruitment. An Enterprise Assurance, Safety and Environment Branch was also created within Corporate Services Division, bringing together the health, safety and wellness area with technical safety, risk assurance and environment.

Other health and safety initiatives delivered in 2016–17 included the creation of an electronic incident reporting form, with easy access via an intranet button, emergency instruction pocket cards for employees, and the rollout of more than 50 sit/stand desks to improve workstation ergonomics.

Risk and Assurance

During 2016–17, the Risk Management Framework was reviewed and updated to align with leading practice and PTV's safety and environmental obligations. In addition, PTV's Risk Appetite Statement was developed. It forms a framework within which PTV makes risk-based decisions.

Organisation changes

Public Transport Victoria transitioned to a new governance structure during the 2016–17 financial year. A new entity, Transport for Victoria, was created under the *Transport Integration Act 2010*. This is the same Act which PTV operates under.

The *Transport Integration Amendment (Head, Transport for Victoria and Other Governance Reforms) Act 2017* established the Head, Transport for Victoria, as a new statutory office and the lead transport agency in Victoria to integrate and coordinate the state's transport system. PTV is now part of Transport for Victoria.

The changes resulted in the dissolution of PTV's board of directors, which was replaced with one member – the Chief Executive. The Chief Executive is responsible for the management of PTV's functions. Jeroen Weimar was appointed PTV's Chief Executive in September 2016, after acting in the role since January 2016.

To support the Chief Executive in discharging his responsibilities, a new governance framework was established, including an Executive Board, an independent Audit, Safety, Risk and Assurance Committee and a Procurement Committee. The Executive Board comprises PTV's Executive Directors and subject matter experts in governance, safety, enterprise risk, assurance, environment and finance, as well as an independent observer. It meets monthly and supports the Chief Executive in strategic decision-making.

Direct costs attributable to machinery of government changes

There were no direct costs to Public Transport Victoria that were attributable to machinery of government changes in 2016–17.

Section 1
Year in review

PTV Performance Report

19 September 2017

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

Dear Minister

Public Transport System Performance Report

On behalf of the Public Transport Development Authority, operating as Public Transport Victoria, I am pleased to submit Public Transport Victoria's report under section 79W of the *Transport Integration Act 2010* (Vic) on the performance of Victoria's public transport system.

This report provides information on the performance of trains, trams and buses across Victoria for the period 1 July 2016 to 30 June 2017, through measurements in the key areas of customer satisfaction, service punctuality, service reliability and scheduled kilometres. It also includes information on patronage and fare compliance.

Jeroen Weimar
Chief Executive
Public Transport Victoria

Metropolitan public transport performance

Metropolitan Train

Performance summary – 12 months to 30 June 2017

Indicator	Unit of measure	2013–14	2014–15	2015–16	2016–17 full year	Target 2016–17
Customer satisfaction index	Score (/100)	69.7	71.5	72.3	72.6	72.2
Service punctuality	per cent	93.1	92.7	92.5	91.8	92.5
Scheduled services delivered (reliability)	per cent	98.9	98.8	98.7	98.8	99.0
Total kilometres scheduled	km (million)	21.9	22.4	22.9	22.9	22.8

Note: Targets are set annually, are agreed with Department of Treasury and Finance and are published in Budget Paper No. 3 each year.

Customer satisfaction

Overall customer satisfaction for metropolitan trains for the 12 months to 30 June was 72.6. The result maintains a gradual and consistent improvement from the previous year.

A feature of the solid results for metropolitan trains is the consistent increases across all key drivers of overall customer satisfaction. Notably, running of services, by far the strongest driver of overall customer satisfaction, achieved a score of 73.6 for the 12 months to June 2017. This is a record score and a 0.9 point increase on the previous year and achieved notwithstanding planned disruptions for various infrastructure upgrades. Satisfaction with information rose to 74.4 for the 12 months to 30 June 2017, a 0.9 point increase.

Patronage

Metropolitan train services carried 236.8 million passengers for the 12 months to 30 June 2017. Train patronage grew by 0.5 per cent for the twelve months ending June 2017.

Growth in the number of people employed in Victoria has supported growth in the commuter market, leading to growth in the peaks. Overall growth, however, was more modest due to the planned disruptions to normal services in order to remove level crossings.

Punctuality, reliability and total kilometres scheduled

Metro exceeded contractual thresholds for service punctuality (88 per cent) and reliability (98 per cent) in each month from July 2016 to June 2017, and therefore, no customer compensation was paid for these periods. Overall the levels of punctuality and reliability were below targeted performance, in part as a result of infrastructure challenges and increasing passenger demand.

Metropolitan train kilometres were in line with the target of 22.8 million kilometres for the year.

Section 1
Year in review

Metropolitan Tram

Performance summary – 12 months to 30 June 2017

Indicator	Unit of measure	2013–14	2014–15	2015–16	2016–17 full year	Target 2016–17
Customer satisfaction index	Score (/100)	74.0	74.9	76.0	76.0	76.0
Service punctuality	per cent	82.9	83.0	83.7	82.6	82.9
Scheduled services delivered (reliability)	per cent	98.9	99.1	98.8	98.6	99.2
Total kilometres scheduled	km (million)	23.6	23.7	23.9	24.1	23.7

Note: Targets are set annually, are agreed with Department of Treasury and Finance and are published in Budget Paper No. 3 each year.

Customer satisfaction

The overall customer satisfaction index for trams for the 12 months to 30 June was 76.0. A period of gradual improvement has been recorded since measurement began in 2009.

A feature of the improvement in customer satisfaction for trams during 2016–17 was in the area of information, which was up 0.8 points on the previous year to 75.2.

Patronage

Tram services carried 204.0 million passengers for the 12 months to 30 June 2017, an increase of 0.2 per cent for the year.

The morning and afternoon peaks grew as a result of employment growth and the greater carrying capacity of the new E-class trams. Overall growth was low as traffic congestion limited tram speeds and reliability.

Punctuality, reliability and total kilometres scheduled

Yarra Trams exceeded contractual thresholds for punctuality (77 per cent) and reliability (98 per cent) in each month from July 2016 to June 2017, and therefore, no customer compensation was paid for these periods.

Tram punctuality and reliability was short of its target level in 2016–17. However there are significant and increasing passenger challenges including disruption caused by major projects, and a high number of special events being scheduled concurrently in and around the CBD during early 2017.

Metropolitan Bus

Performance summary – 12 months to 30 June 2017

Indicator	Unit of measure	2013–14	2014–15	2015–16	2016–17 full year	Target 2016–17
Customer satisfaction index	Score (/100)	76.2	76.0	76.7	76.3	77.0
Service punctuality	per cent	91.8	93.2	78.8	80.5	82
Scheduled services delivered (reliability)	per cent	100	99.9	99.9	99.9	99.9
Total kilometres scheduled	km (million)	109.2	111.0	113.3	116.4	116.9

Note: Targets are set annually, are agreed with Department of Treasury and Finance and are published in Budget Paper No. 3 each year.

Customer satisfaction

The overall customer satisfaction index for metropolitan buses for the 12 months to June 2017 was 76.3. This result was a marginal decline on the previous year's score of 76.7.

The largest improvement in customer satisfaction for metropolitan buses was with respect to myki, where the score increased by 2.0 points to 71.5.

Patronage

Metropolitan bus services carried 118.0 million passengers for the 12 months to 30 June 2017, a decrease of 4.0 per cent for the year.

Doncaster Rapid Area Transit services which carry commuters into the CBD saw growth, benefitting from higher Victorian employment. Growth was also seen in Hume following the Sunbury bus route review. Otherwise, the decline in patronage over the year is part of a longer five year trend that sees a relatively flat growth trend in patronage, averaging -0.9 per cent growth per annum.

Punctuality, reliability and total kilometres scheduled

In 2016–17, PTV commenced using a new bus-tracking system for public reporting on operator punctuality performance. It has enabled PTV to more accurately monitor metropolitan bus punctuality performance. The service punctuality of 80.5 per cent in 2016–17 reflects PTV's transition from relying on operator self-assessment to data generated by the bus tracking system. Traffic congestion continues to be the most significant contributor to poor bus punctuality.

Section 1
Year in review

Load Standards

Load standard surveys to measure average peak passenger loads against load standard benchmarks were conducted in May 2017. The survey findings help PTV and operators pinpoint when loads exceed the desired load standards during peak periods on each of Melbourne's 15 rail lines and on key sections of tram routes.

The survey results play an important role in examining the rail network's capacity and are used for planning purposes. A desired load standard is set according to the type of rolling stock and refers to the maximum desired passenger load. This standard does not relate to a safety requirement but refers to the relative comfort level.

Average loads for services were aggregated into rolling hours and service groups to calculate rolling hour average loads. Rolling stock load standards were combined in the same way to find rolling hour average capacities. From this data service groups with rolling hour breaches, where the average load was above the average capacity, were identified.

Metropolitan Train

Train refurbishment has increased the space inside carriages and as a result, the load standard on Comeng and Siemens trains has increased from 768 to 900. The May Metropolitan Train Load Standard Surveys recorded the following:

Survey date	May 2014	May 2015	May 2016	May 2017
Number of AM peak rolling hour breaches	9	12	9	0
Number of PM peak rolling hour breaches	9	5	3	0
Total	**18**	**17**	**12**	**0**

Rolling hour breaches in the morning (AM) and afternoon (PM) peaks reduced to zero despite an overall increase in the volume of passengers carried.

Metropolitan Tram

The May Metropolitan Tram Load Standard Surveys recorded the following:

Survey date	May 2014	May 2015	May 2016	May 2017
Number of AM peak rolling hour breaches	15	6	5	5
Number of PM peak rolling hour breaches	11	4	9	3
Total	**26**	**10**	**14**	**8**

In the morning (AM) peak there were five rolling hour breaches in 2017. This represents no change since 2016.

In the afternoon (PM) peak there were three rolling hour breaches in 2017. This represents a decrease from May 2015, in which nine were recorded.

The decrease in rolling hour breaches is a result of the rollout of higher capacity E-Class trams and the cascade of the remaining fleet to manage capacity.

Regional public transport performance

Regional (V/Line) train and coach

Performance Summary – 12 months to 30 June 2017

Indicator	Unit of measure	2013–14	2014–15	2015–16	2016–17	Target 2016–17
Customer satisfaction index: regional train	Score (/100)	76.1	76.3	75.9	75.5	77.0
Customer satisfaction index: regional coach[1]	Score (/100)	82.1	83.0	82.3	81.5	84.0
Service punctuality: regional train	per cent	87.5	89.7	86.6	85.3	92.0
Scheduled services delivered: regional train (reliability)	per cent	98.2	98.6	96.6	97.8	98.5
Total kilometres scheduled: regional train and coach	km (million)	22.1	23.9	24.1	24.6	24.7

Note: Targets are set annually, are agreed with Department of Treasury and Finance and are published in Budget Paper No. 3 each year.

Customer satisfaction

The overall customer satisfaction index for V/Line trains for the 12 months to June 2017 was 75.5, a marginal decrease on the previous year as a result of disruptions over the previous eighteen months. This index is measured in a 10-point scale.

The overall customer satisfaction index for V/Line coach services decreased marginally to 81.5 for the 12 months to 30 June 2017. It should be noted this score is based on a small sample size and is subject to considerable variability and is still a positive result.

Patronage

Regional train services carried 17.9 million passengers for the 12 months to 30 June 2017, while regional coach services carried 1.37 million passengers over the same period.

Patronage on regional trains increased by 10.2 per cent for the 12 months to 30 June 2017. The largest growth was seen in the Western, South Western and Eastern corridors. Infrastructure is being improved and extra services added to meet the demand of V/Line's record patronage growth.

Patronage on regional coach declined by 2.2 per cent in the 12 months to 30 June 2017.

Punctuality, reliability and total kilometres scheduled

For the year ended June 2017, punctuality of V/Line train services was 85.3 per cent, with monthly levels ranging from a low of 80.4 percent in January 2017 to a high of 90.9 percent in September 2016. V/Line did not meet its punctuality threshold of 92 per cent on a number of lines.

Regional train delivery was 97.8 per cent for the year ending June 2017, with monthly levels ranging from a low of 96.7 per cent in January 2017 to a high of 98.7 per cent in June 2017.

Regional train punctuality has been impacted for the year by a number of factors, including the Pirron Yallock level crossing incident in July and resultant temporary speed restrictions on the Warrnambool line, temporary speed restrictions on the Bendigo (Echuca and Swan Hill) line and overall growth in patronage that is increasing station dwell time. The Warrnambool temporary speed restrictions will be removed once the level crossing upgrades are complete, due by the end of the calendar year.

V/Line is also implementing a 'Whistle Blows, Train Goes' campaign, as well as putting staff on crowded stations to encourage passengers to move along the platform and use all doors.

1. Regional coach refers to long-haul coach services, not town bus services.

Section 1
Year in review

Regional Bus (town bus services)

Performance Summary – 12 months to 30 June 2017

Indicator	Unit of measure	2013–14	2014–15	2015–16	2016–17 full year actual	Target 2016–17
Customer satisfaction index	Score (/100)	81.5	80.6	79.7	78.1	81.0
Service punctuality	per cent	95.1	95.1	94.8	94.6	92
Scheduled services delivered (reliability)	per cent	100	99	99.9	99.9	99
Total kilometres scheduled	km (million)	22.9	23.3	24.8	25.7	25.6

Note: Targets are set annually, are agreed with Department of Treasury and Finance and are published in Budget Paper No. 3 each year.

Customer satisfaction

Customer satisfaction with town bus services in Ballarat, Geelong, Bendigo, the Latrobe Valley, Shepparton, Wangaratta and Wodonga achieved an average score of 76.4 for the 12 months to 30 June 2017, down 2.8 points from 79.2. Scores for regional town bus remain very healthy but there has been some decline as passengers adjust to changed timetables and services.

Patronage

Regional town buses carried 11.8 million passengers for the 12 months to 30 June 2017.

An improved patronage estimation process has been implemented for myki-enabled regional town buses; consequently, a growth rate cannot be provided because of a break in the patronage series.

Punctuality, reliability and total kilometres scheduled

Historically, regional bus reliability and punctuality measures have been self-assessed based on small samples. Under this methodology, results for the year ended June 2017 were 99.9 per cent and 94.6 per cent respectively. The recent introduction of the Bus Tracking System to the regional network will be incorporated into performance analysis and reporting over the coming year.

Fare Compliance

Fare compliance rates are measured through surveys taken in May and October each year. In May 2017, the metropolitan network saw a steady continuation of high fare compliance with a fare compliance rate of 94.8 per cent.

The fare compliance rates for each mode are shown below:

Survey date	Metropolitan train	Tram	Metropolitan bus	Metropolitan network	Regional train
October 2014	95.9%	94.0%	91.3%	94.1%	93.0%
May 2015	97.3%	95.2%	91.3%	95.0%	93.9%
October 2015	97.4%	95.2%	94.9%	96.2%	95.1%
May 2016	97.7%	95.3%	92.7%	95.9%	95.7%
October 2016	97.4%	96.4%	93.6%	96.2%	95.9%
May 2017	97.6%	95.1%	89.2%	94.8%	94.2%

The total revenue impact of fare evasion in 2016–17 is estimated at $36.5 million, up from an estimate of $30.9 million in the 2015–16 financial year.

In May 2016, the *Report of the review into public transport ticketing compliance and enforcement* recommended a new approach to fare compliance in Victoria. The new approach is fairer, allows more systematic use of warnings in certain circumstances when people inadvertently do not pay their fare, targets repeat and deliberate fare evaders, and replaces the two-tiered approach of infringements and on the spot penalty fares. Since the introduction of this approach, complaints about Authorised Officers (AOs) have significantly decreased and there is a greater focus on passenger support and education.

A coordinated approach to revenue protection has continued through the annual Network Revenue Protection Plan. During 2016–17, the revenue protection strategy continued to be based on four themes: making the ticketing system easier to use; system support (for example ticket barriers and network staff); marketing and education; and ticket checking.

Key activities have included:

- implementation of the recommendations from the government's *Report into the review into public transport ticketing compliance and enforcement*, including the removal of On-the-spot Penalty Fares on 1 January 2017
- delivery of improved AO training with a focus on conflict management, and a more consistent approach across the AO workforce
- a continuation of customer engagement and education activities to support fare compliance.

PTV is continuing to work with Transport for Victoria and the public transport operators to implement the recommendations and promote a consistent and fair approach to fare compliance across the network.

Section 1
Year in review

PTV's current year financial review

Overview

The financial statements presented later in this report are prepared in accordance with the *Financial Management Act 1994* and applicable Australian accounting standards.

The 2016-17 Annual Report includes PTV's fifth full year financial statements. This year's statements include Franchise Asset Holdings Pty Ltd (AssetCo), an entity established as a result of the new bus franchise arrangements with Transdev. As a controlled entity AssetCo financial information has been consolidated with PTV and is represented in the consolidated column of the financial statements.

As a government agency PTV is fully funded for its operating and capital expenditure, therefore the operating result will reflect accounting transactions that do not require government funding and where revenue has been received but has been used for capital purposes. For 2016-17, the net result was a deficit of $34.4 million which reflects expenses that are not funded by government ($69.1 million, mainly depreciation and provision for rail employee entitlements), offset by revenue received for capital purposes ($34.7 million).

Financial performance – operating statement

PTV's income is primarily sourced from government grants, share of fare receipts, licence fees from advertising panels at bus shelters, myki card sales and contributions from the operators for marketing and communications.

PTV's total operating expenses in 2016-17 were $4.7 billion. The majority of PTV's expenditure was for payments to the transport service providers including $1.2 billion for metropolitan and regional train services, $0.2 billion for metropolitan tram services, $1.9 billion for the government's capital assets charge for rail infrastructure and $1.0 billion for bus services.

Financial position – balance sheet

Total assets decreased by $41.9 million over the year to $1.96 billion, mainly due to decreases in the financial assets of $22.9 million resulting from the reduction of grants receivable required from DEDJTR to cover operating accruals, and reduction in the non-financial assets of $19 million due to the reduction in inventories resulting from obsolesce and additional depreciation accumulated for the financial year.

Total liabilities decreased by $76 million to $1.42 billion mainly due to decreases of $107 million in project cost accruals resulting from the settlement of project payables, partially offset by the reduction in employee related provisions of $17m (transferred to Transport for Victoria for $4.25m), further offset by the repayments of finance leases liabilities on bus related assets of $14 million.

The table below shows PTV's five year financial summary

	2017	2016	2015	2014	2013
	Group* $M	Group* $M	Group* $M	Group* $M	$M
Grant from government	4,304.4	4,080.0	3,868.9	4,048.0	4,178.8
Total income from transactions	4,634.9	4,396.9	4,127.9	4,134.9	4,240.0
Total expenses from transactions	(4,669.7)	(4,450.9)	(4,152.2)	(4,166.1)	(4,240.0)
Net result from transactions	(34.9)	(53.9)	(24.3)	(31.2)	0.1
Total other economic flows included in net results	0.4	(0.9)	(45.7)	(0.3)	(1.1)
Net results	(34.4)	(54.9)	(70.0)	(31.5)	(1.0)
Net cash flows from/(used in) operating activities	76.3	22.9	(17.6)	29.9	84.6
Total assets	1,958.5	2,000.3	2,060.0	1,757.3	1,876.9
Total liabilities	(1,423.6)	(1,499.6)	(1,504.2)	(1,330.3)	(1,248.4)
Net assets	534.8	500.7	555.8	427.0	628.5

* For 2014 to 2017, the Group result relates to the financial information of PTV and Franchise Asset Holdings.

Net assets increased by $34.1 due to the impact of the changes in total assets and liabilities described above.

Cash flows

The overall cash flow surplus of $35 million for the 2016-17 financial year was a net increase of $10 million compared to the previous year. The additional cash was the result of an increase in net cash inflow from operating activities of $53 million due to additional cash funding received from DEDJTR, farebox revenue received and GST recovered from the Australian Taxation Office (ATO).

Net cash payments for investing activities decreased by $162 million and net cash proceeds from financing activities decreased by $186 million, these are predominantly due to the Transport for Victoria transfer which resulted in less capital funding needed and received from DEDJTR.

The opening balance for cash and cash equivalents at the beginning of the financial year 2016-17 is $19 million less compared to previous financial year.

Capital expenditure

PTV's capital expenditure for 2016-17 was approximately $0.65 billion on major projects such as network renewal and franchisee projects, E-Class trams and supporting infrastructure, X'Trapolis trains, V'locity trains, Southland Station, Murray Basin Rail Project, City Loop Fire and Safety Upgrade, myki ticketing and transport integration projects, works in the Flinders Street Station precinct and railway crossing upgrades.

Rail assets created by PTV's capital expenditure are transferred by way of equity (refer to note 4.2.1 to the financial statements) to VicTrack as the entity responsible for reporting the state's transport infrastructure network.

Subsequent events

The Minister for Public Transport, Jacinta Allan, issued a Ministerial Direction to PTV in September 2016 to transfer a number of PTV roles and responsibilities to facilitate the establishment of Transport for Victoria.

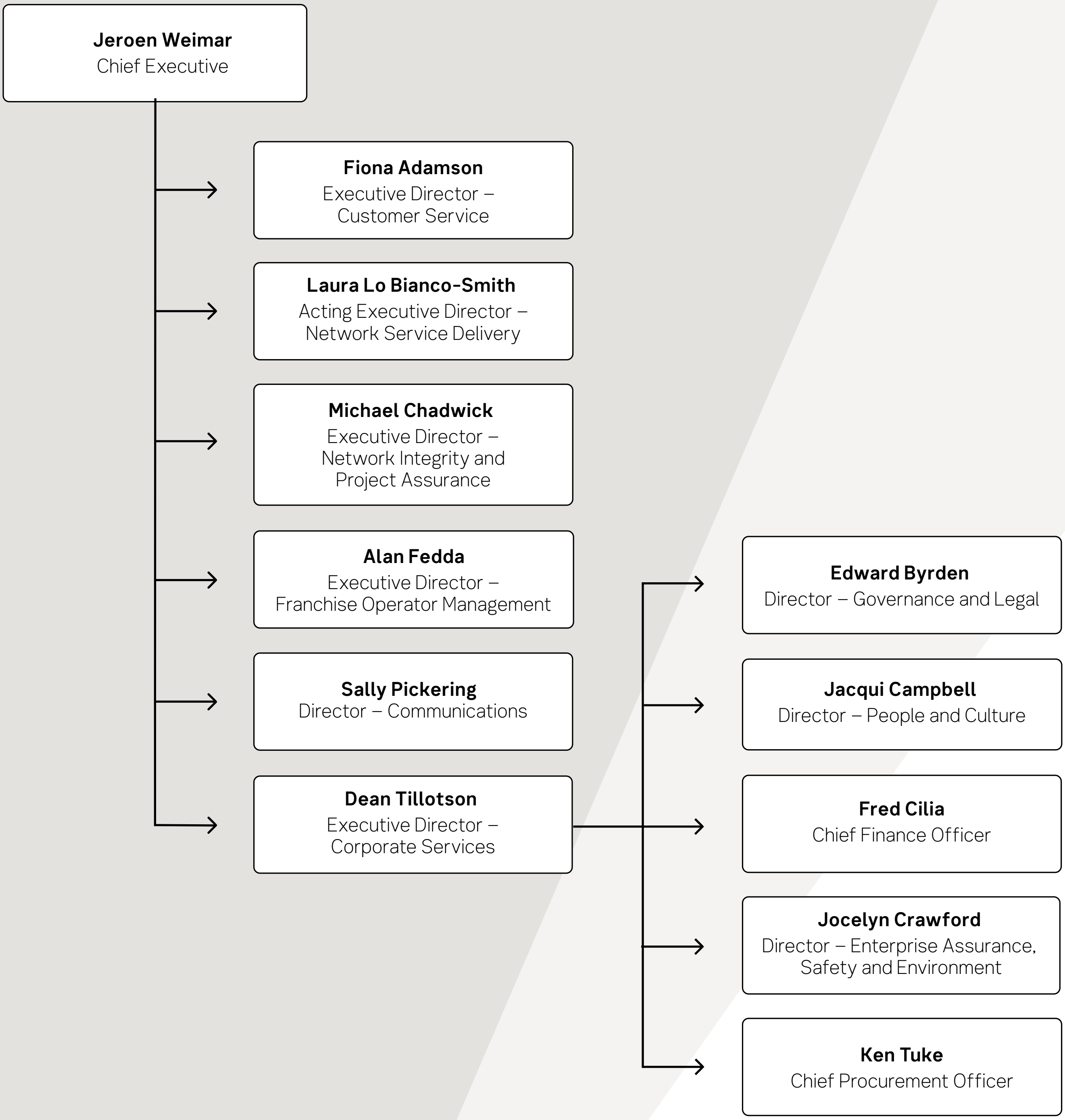
Amongst other things, the Ministerial Direction directed PTV to transfer certain roles and responsibilities including planning and procurement strategy for rolling stock and as a result, various rolling stock supply contracts and projects were transferred to Transport for Victoria with effect from 1 August 2017, these contracts have a total commitments of $0.2 billion.

On 12 September 2017, the Minister for Public Transport announced that Metro Trains Melbourne (MTM) and Keolis Downer (KDR) would operate Melbourne's train and tram networks for the next seven years. The franchise period will begin on 30 November 2017 these contracts, the state has committed payments of $6.3 billion (with extension to 10 years period of $9.1 billion) to MTM and $2.7 billion (with extension to 10 years period of $3.6 billion) to KDR.

Section 2
Governance and organisational structure

Section 2
Governance and organisational structure

PTV's organisation structure as at 30 June 2017:



PTV Board of Directors

Between 1 July 2016 and 11 April 2017, PTV was governed by a Board of Directors.

The directors of PTV in office during that time were:

Patricia Faulkner AO
Chairman of the Board

Douglas Bartley
Deputy Chairman

Kevin Norris
Director

Virginia Hickey
Director

Thomas Sargant
Director

The qualifications, experience and special responsibilities of the PTV Board members are provided below.

Chairman

Patricia Faulkner is a company director and business consultant with extensive senior executive experience across a range of sectors including health, welfare, telecommunications, government, superannuation, and professional services.

Patricia currently chairs the Boards of the Telecommunications Industry Ombudsman and Jesuit Social Services. She is the Deputy Chairman of St Vincent's Health Australia and sits on the Boards of the Committee for Economic Development in Australia, the Melbourne Theatre Company and Catholic Professional Standards Limited. She is a trustee of VicSuper and a committee member of the Melbourne Racing Club Committee.

In 2015, she was appointed Deputy Commissioner to the Victorian Royal Commission into Family Violence.

Patricia was previously National Partner-in-Charge, Health Sector at KPMG and formerly Secretary of the Department of Human Services, holding a series of roles with the Victorian Government over a period of more than 20 years. From 2000 until 2007, she was Secretary of the Department of Human Services, and previously Director of Consumer Affairs and Director of Occupational Health and Safety at the department. She is a Fellow of the Australian College of Health Services Executives and a National Fellow of the Institute of Public Administration Australia.

Patricia was made an Officer of the Order of Australia in 2008 for service to the community through the development and implementation of public policy relating to health, aged care, children's services, disability services and housing. In 2013, Patricia was recognised with an Honorary Doctorate from Monash University.

Patricia was appointed to the Board as Deputy Chairman on 1 July 2015 and as Chairman on 1 October 2015.

Section 2
Governance and organisational structure

Deputy Chairman

Doug Bartley has extensive business experience in human resources, financial management and governance across the transport, financial services and trading industries. His most recent previous role was as Chair of KPMG in Victoria. He was also formerly Partner in Charge of KPMG's Global Japanese Practice in Australia.

Doug was appointed to the Board on 12 December 2011 and was Chairman from 1 July 2015 to 30 September 2015.

Directors

Virginia Hickey is an experienced lawyer and an expert in corporate strategy and governance. Virginia has served many boards, including as former Chair of TransAdelaide, Adelaide's metropolitan passenger rail operator, Commissioner at the National Transport Commission, Director of Flinders Ports (the owner of the Port of Adelaide) and Chair of the Telecommunications Industry Ombudsman Council.

Virginia was appointed to the Board on 1 July 2012.

Kevin Norris has almost 30 years' experience in the bus industry in Victoria. His expertise lies in contract negotiations, industrial relations practice and advocacy, bus operations, bus network planning, public transport modal coordination and integration, ticketing systems and systems development. He is currently engaged on a major school bus expansion for the Kingdom of Saudi Arabia aimed at encouraging more girls to attend school through to the end of secondary level.

Kevin was appointed to the Board on 1 July 2015.

Thomas Sargant is a company director and a trusted advisor to governments nationally and internationally. He advises on commercial transactions relating to the construction, operation and maintenance of public transport systems and public transport safety regulation as well as major civil construction.

He has been a Company Director of listed and not-for-profit entities. He is the Pacific Representative for the Union Internationale Des Chemins de Fer (UIC), and holds an honours degree in civil engineering and a master's degree in business administration. He is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institution of Engineers Australia.

Tom was appointed to the Board on 1 July 2015.

PTV Board sub-committees

Between 1 July 2016 and 11 April 2017, the following board committees were in place:

PTV Board Audit and Risk Committee

The committee assisted the PTV Board to fulfil its responsibilities related to PTV's financial performance and the financial reporting process. The committee was also responsible for review of and recommendation to the board on accounting policies, the operation and implementation of the risk management framework, and compliance with the various directions and procedures contained in the *Standing Directions of the Minister for Finance 2016*.

PTV Board Remuneration Committee

The committee ensured that PTV had coherent remuneration policies and practices that enabled it to attract and retain staff. It also ensured that PTV fairly and responsibly rewarded executives, staff and contractors/contract employees, considering their responsibilities and performance, the performance of PTV and prevailing engagement and remuneration policies and conditions applied to employment by the Victorian Government.

PTV Board Health, Safety and Environment Sub-Committee

The committee assisted the PTV Board to promote a strong and proactive culture at PTV which values health, safety and the environment. It reviewed health, safety and environmental compliance, including compliance standards, and recommended to the board appropriate measures and responses. Developments in relevant health, safety and environment legislation and regulations were also considered by the committee, so it could make appropriate recommendations to the board.

PTV Board and committee attendance 2016–17

Board member	Board		Audit and Risk		Remuneration		Health, Safety and Environment	
	Attended	Maximum possible	Attended	Maximum possible	Attended	Maximum possible	Attended	Maximum possible
Patricia Faulkner	12	13	n/a	n/a	2	3	2	4
Doug Bartley	12	13	4	4	3	3	n/a	n/a
Kevin Norris	10	13	n/a	n/a	n/a	n/a	4	4
Virginia Hickey	12	13	3	4	3	3	n/a	n/a
Thomas Sargant	13	13	4	4	n/a	n/a	4	4

Section 2
Governance and organisational structure

Occupational health and safety

PTV is committed to providing and maintaining a public transport system and workplaces that are safe for workers, passengers and the community. PTV proactively takes action to understand and manage it's occupational health and safety (OHS) risks and environmental footprint.

PTV strengthened its commitment to its people in 2016–17, by forming the Business Partnering Team, which was made up of the people-focused functions including human resources, recruitment, safety and wellness. This created a user-friendly service for our business divisions while encouraging collaboration and delivery of excellence in accordance with our values.

In March 2017, the health, safety and wellness function, together with technical safety, risk, assurance and environment was formed to create the Enterprise Assurance, Safety and Environment branch as part of the Corporate Services division.

Other safety activities and achievements during the financial year included introduction of an electronic incident reporting form that is easily accessible via an intranet button, rollout of employee emergency instruction pocket cards, the purchase of more than 50 sit/stand desks to improve the ergonomics of workstations and the successful Health and Wellness Fair that saw PTV partner with its vendors to bring together a range of health and wellness providers for our people to utilise as part of Healthy Me @ PTV.

Incident management

Overview

Incidents

There were no notifiable incidents requiring notification to the authority WorkSafe Victoria in 2016–17.

The majority of reported incidents were slip/trip/fall incidents travelling by foot to attend meetings during working hours. Of these incidents, four required minor first aid treatment and did not result in lost-time injuries.

Management commitment

Formation of PTV's Integrated Safety and Environment Management System has created a better understanding of PTV's safety obligations. In addition, PTV executives and key internal stakeholders took part in safety obligation sessions during 2016–17.

Workers' compensation

There was one workers' compensation claim in 2016–17. This was a standard claim that exceeded 13 weeks, where the employee was paid compensation for lost time due to their compensable injury.

PTV premium rate

Year	2014–15	2015–16	2016–17
Premium rate	$175,981.87	$221,324.92	$226,562.84

PTV's performance against OHS management measures

Measure	Key performance indicators	2013–14	2014–15	2015–16	2016–17(v)
Incidents					
	No. of reported incidents	17	27	12	7
	Rate per 100 FTE	2.23	3.55	2.16	1.52
Claims (iv)					
	No. of standard claims(i)	2	3	3	1
	Rate per 100 FTE	0.41	0.65	0.64	0.021
	No. of minor claims	0	1	0	0
	Rate per 100 FTE	0	0.13	0.36	0.22
	No. of claims exceeding 13 weeks(iii)	0	2	2	1
	Rate per 100 FTE	0	0.26	0.36	0.22
	No. of lost time injury claims(ii)	1	1	1	0
	Rate per 100 FTE	.020	0.21	0.21	0
Fatalities					
	Fatality claims	0	0	0	0
Claim costs(iv)					
	Average cost per standard claim	$2,874	$21,268	$22,675	$48,866
WorkCover Premium(iv)					
	Percentage of claims with RTW plan <30 days	0	0	0	0
WorkCover Premium(iv)					
	Premium Rate	0.3734%	0.2616%	0.2611%	0.3062%
	WorkCover Premium Cost	$236,897.67	$175,981.87	$221,324.92	$226,562.84

Section 2
Governance and organisational structure

Measure	Key performance indicators	2013–14	2014–15	2015–16	2016–17[v]
Management commitment					
	Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, and OHS plans (signed by CEO or equivalent)	Partially completed	Partially completed	Completed	Completed
	Evidence of OHS criteria in purchasing guidelines (including goods, services and personnel)	Completed	Completed	Completed	Completed
Consultation and participation					
	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs)	Completed	Completed	Completed	Partially Completed
	Compliance with agreed structure on DWGs, HSRs, and IRPs	Completed	Completed	Completed	Partially Completed
Risk management					
	Percentage of internal audits/inspections conducted as planned	100%	100%	100%	100%
	Percentage of issues identified actioned arising from:				
	– internal audits	51%	68%	79%	86%
	– HSR provisional improvement notices (PINs)	0	0	0	0
	– WorkSafe notices	0	1	0	0
Training					
	Percentage of managers and staff that have received OHS training:				
	– induction	91%	97%	98%	77%
	– management training	90%	90%	92%	77%
	– contractors, temps, and visitors.	N/A	95%	99%	77%
	Percentage of HSRs trained:				
	– acceptance of role	78%	100%	100%	100%
	– re training (refresher)	–	100%	100%	94%
	– reporting of incidents and injuries	0%	0%	0%	0%

I. Standard claims are those that have exceeded the employer excess (days or dollars) or are registered as a standard claim and are open with payments at the time of extraction. Fatality claims are also based on the same definition of standardised claims. Under-threshold claims are excluded from this figure.

II. A time lost claim is one with one (1) or more days compensated by the Victorian WorkCover Authority (VWA) Insurer (that is: once the employer has paid the 10 day excess) at the time of extraction. Lost time claims are a sub set of standardised claims. Under-threshold claims are excluded from this figure.

III. Thirteen week claims is a measure of the number of claims exceeding 13 week compensation based on a derived day count. The 13 week measure begins at day one (that is: employer excess and VWA payments).

IV. Data is provided by PTV WorkCover Insurer Xchanging.

V. Data is for the period 1 June 2016 to 30 June 2017. PTV is currently reviewing its reporting processes.

Employment and conduct principles

PTV is committed to applying merit and equity principles when appointing staff.

The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

Employees have been correctly classified in workforce data collections.

Section 3
Workforce data

Section 3
Workforce data

PTV people: Comparative workforce data

Table 1: Details of employment levels in June 2016 and 2017

		June 2017						
		All employees		Ongoing			Fixed term and casual	
		Number (headcount)	FTE	Full time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Demographic data	**Gender**							
	Male	255	252	179	3	71	73	71
	Female	224	210	141	23	54	60	54
	Age							
	15–24	5	5	2	1	2	2	2
	25–34	118	113	72	9	35	37	35
	35–44	172	165	108	10	51	54	51
	45–54	124	121	96	4	23	24	23
	55–64	54	52	37	2	13	15	13
	65+	6	6	5	0	1	1	1
Classification data	**VPS 1–6 grades**	**408**	**391**	**264**	**25**	**111**	**119**	**111**
	VPS 1	0	0	0	0	0		
	VPS 2	1	1	0	0	1	1	1
	VPS 3	64	57	41	7	11	16	11
	VPS 4	108	102	72	10	23	26	23
	VPS 5	119	117	85	5	29	29	29
	VPS 6	116	114	66	3	47	47	47
	Senior employees	**70**	**70**	**56**	**1**	**13**	**13**	**13**
	STS	23	23	13	1	9	9	9
	PS	16	16	12	0	4	4	4
	Executives	31	31	31	0	0		
	Other	1	1	0	0	1	1	1
	Total employees	**479**	**462**	**320**	**26**	**125**	**133**	**125**

Notes:

(i) Figures in accordance with FRD 29B and reflect employment levels during the last full pay period in June of each year.

(ii) Classification 'Other' includes staff on agreements/contracts other than the PTV Agreement.

(iii) A variance greater than 10 per cent exists between June 2016 and June 2017 due to 146 FTE staff being transferred to Transport for Victoria under section 28 during the 2016–17 financial year.

(iv) There are two VPS–6 employees acting as executives under long-term acting arrangements

June 2016						
All employees		**Ongoing**			**Fixed term and casual**	
Number (headcount)	FTE	Full time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
342	330	240	3	242	99	88
289	273	197	26	215	66	57
10	9	7	0	7	3	2
174	164	110	10	117	54	47
231	224	167	10	174	54	50
143	138	104	4	107	35	31
69	64	47	5	50	17	14
4	4	2	0	2	2	2
531	**503**	**356**	**25**	**373**	**150**	**130**
1	0	0	0	0	1	0
2	2	2	0	2	0	0
79	60	45	4	47	30	13
143	140	92	8	98	43	42
155	153	117	5	121	33	33
151	148	100	8	106	43	43
100	**99**	**81**	**4**	**84**	**15**	**15**
20	20	10	1	11	9	9
24	24	18	0	18	6	6
56	55	53	3	55	0	0
0	0	0	0	0	0	0
631	**602**	**437**	**29**	**457**	**165**	**145**

Section 3
Workforce data

Public administration and employment principles

PTV continues to implement directions and policies with respect to upholding public sector conduct, managing and valuing diversity, managing underperformance, reviewing personal grievances, and selecting on merit.

PTV has introduced a suite of detailed employment policies, including policies with respect to grievance resolution, recruitment, redeployment, and managing diversity. Policies with respect to managing underperformance and discipline were reviewed and have been implemented across PTV.

Table 2: Annualised total salary, by $20,000 bands, for executives and other senior non-executive staff

Income band (salary)	Executives	STS	VPS	Other
< $160,000	3	3	4	
$160,000 – $179,999	2	10	8	
$180,000 – $199,999	12	8^	3	
$200,000 – $219,999	5	2	1	
$220,000 – $239,999	2			
$240,000 – $259,999	2			
$260,000 – $279,999				
$280,000 – $299,999	3			
$300,000 – $319,999	1			
$320,000 – $339,999				
$340,000 – $359,999				
$360,000 – $379,999				
$380,000 – $399,999				
$400,000 – $419,999	1			1^^
$420,000 – $439,999				
$440,000 – $459,999				
$460,000 – $479,999				
$480,000 – $499,999				
Total	**31**	**15**	**16**	**0**

Notes:

(i) The salaries reported above are for the full financial year, at a 1–FTE rate, and exclude superannuation.

(ii) Classification 'Other' includes staff on agreements/contracts other than the PTV Agreement.

(iii) ^ 1 Employee was employed on a part-time at a 0.8 FTE Rate.
^^ Employee was employed on a part-time at a 0.8 FTE Rate.

Section 4
Other disclosures

Section 4
Other disclosures

Local Jobs First – Victorian Industry Participation Policy

The Victorian Government is committed to ensuring that local small and medium enterprises are given a full and fair opportunity to compete for government contracts, while still achieving value for money. The Victorian Industry Participation Policy (VIPP) is implemented by Victorian Government departments and agencies to help drive local industry development.

The policy applies to government procurement activities, construction activities, major projects, major events, Public Private Partnerships and investment support, business development and community infrastructure grants above the threshold values of $3 million or more in metropolitan Melbourne and $1 million or more in regional Victoria.

VIPP also has a Strategic Project Framework that applies to procurement activities valued at $50 million or more, excluding maintenance and operational costs.

During 2016–17, PTV commenced 20 applicable procurement activities totalling $282 million to which a VIPP Plan or Local Industry Development Plan (LIDP) was required. Of these procurement activities, five contracts with a total of 20 per cent estimated to be of local content, to which a VIPP Plan or LIDP was not required as the procurement activity was local by nature.

During 2016–17, no small-to-medium-sized businesses prepared a VIPP Plan. Some 20 contracts were started in metropolitan Melbourne where a VIPP Plan was required. This represented 93 per cent of estimated local content.

The total VIPP Plan or LIDP commitments achieved as a result of contracts which started included:

- local content of 93 per cent of the total value of the contracts;
- eight new jobs and 24 retained jobs
- one new apprenticeship or traineeship and one retained apprenticeship or traineeship.

Of the 20 applicable procurement activities commenced during 2016–17, there are no completed contracts affected by this reporting period.

During 2016–17, three contracts which commenced on or after 1 September, had the minimum formal weighting of 10 per cent applied for local content in the tender evaluation of the VIPP Plan or LIDP.

PTV did not commence any grants or design projects during 2016–17.

Disclosure of Victorian Government advertising expenditure

Details of PTV advertising expenditure (campaigns with a media spend of $150,000 or greater)

Name of campaign		Start date	End date	Expenditure (excluding GST): Advertising (media)	Creative and campaign development	Research and evaluation	Print and collateral	Other campaign
Night Network – 24-hour weekend public transport		10/10/2016	30/06/2017	$1,257,566	$354,732	–	$65,569	–
High Capacity Metro Trains		03/04/2017	30/06/2017	$1,099,596	$326,281	$145,500	$3,333	–
Explore the World of Melbourne by bus	Phase 1	03/10/2016	31/12/2016	$153,835	$264,821	$56,000	$73,395	$91,980
	Phase 2	21/2/2017	31/06/2017	$594,112	$325,875	–	$206,832	$74,255
Fare compliance/myki pass		19/6/2017	30/6/2017	$499,754	$22,633	–	$16,408	–

Campaign Summary:

Night Network – 24-hour weekend public transport

The campaign maintained awareness and encouraged the use of the Night Network, 24-hour public transport on Friday and Saturday nights.

High Capacity Metro Trains

The campaign informed public transport users about bus replacement services on the Cranbourne-Pakenham rail corridor during 2017. This was due to work done on the railway line for the High Capacity Metro Trains project.

Explore the World of Melbourne by bus

The campaign improved understanding and attitudes to buses. Buses are a vital local connecting service and the campaign reminded people where buses go in their community and encouraged them to explore their local suburbs and towns by bus. It also encouraged non-users to consider buses.

Fare compliance/myki pass

The campaign promoted the benefits of myki pass to frequent (myki money) public transport users. It aimed to address accidental and unintentional fare evasion that occurs when customers are unprepared to travel, with insufficient funds on their myki.

Section 4
Other disclosures

Consultancy expenditure

Details of consultancies valued at $10,000 or greater

In 2016–17, there were 73 consultancies where the total fees payable to the consultants were $10,000 or greater. Total expenditure incurred in 2016–17 in relation to these consultancies was $10,738,099 (excluding GST).

Details of consultancies under $10,000

In 2016–17, there were six consultancies where the total fees payable to the consultants were less than $10,000. Total expenditure incurred in 2016–17 in relation to these consultancies was $41,058 (excluding GST).

A full list of PTV contractors and consultants engaged in 2016–17, as defined by FRD 22F, can be found in the Additional Information to this Annual report, online at **ptv.vic.gov.au.**

Information and communications technology expenditure

For the 2016–17 reporting period, PTV had a total information and communications technology (ICT) expenditure of $54.3 million with the details shown below.

ICT expenditure refers to PTV's costs in providing business enabling ICT services within the current reporting period. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing PTV's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

	All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities
	Business as usual (BAU) ICT expenditure	Non-business as usual (non-BAU) ICT expenditure
	$ thousand	$ thousand
Operational expenditure	–	18,414.37
Capital expenditure	–	18,653.44
Total	**17,245.68**	**37,067.81**

Disclosure of major contracts compliance

PTV has disclosed, in accordance with the requirements of Victorian Government policy and accompanying guidelines, all contracts greater than $10 million in value that it entered into during the year ended 30 June 2017.

Details of contracts that have been disclosed in the Victorian Government contracts publishing system can be viewed online at **tenders.vic.gov.au.**

Protected Disclosure Act 2012

The following information is required in the annual report in accordance with the *Protected Disclosure Act 2012* (Vic).

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

The Independent Broad-based Anti-corruption Commission (IBAC) has a key role in receiving, assessing and investigating disclosures about corrupt or improper conduct and police personnel conduct as well as responsibility for preparing and publishing guidelines to assist public bodies to interpret and comply with the protected disclosures regime.

PTV does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct. PTV is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety, or the environment.

PTV will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Reporting procedures

PTV is not authorised to receive protected disclosures.

Protected disclosures about PTV or any of its employees and/or officers must be made directly to IBAC:

Independent Broad-based Anti-corruption Commission
Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000

Toll free: **1300 735 135**

Internet: **www.ibac.vic.gov.au/contact-us**

Email: **www.ibac.vic.gov.au/report-corruption-or-misconduct/online-form**

IBAC will determine whether a disclosure is a protected disclosure or not. If IBAC determines that a disclosure is a protected disclosure, it must deal with the disclosure in accordance with the *Independent Broad-based Anti-corruption Commission Act 2011*.

Further information

Written procedures outlining the system for reporting disclosures of improper conduct or detrimental action by PTV, or any of its employees and/or officers, are available on PTV's website.

Freedom of information summary

The *Freedom of Information Act 1982* (Vic) allows the public a right of access to documents held by government departments and agencies.

One complaint was made to the Freedom of Information Commissioner during the financial year concerning the late processing of a FOI request, which was resolved informally. Details of PTV's freedom of information activities over the financial year are provided in the table below.

Making a request

Access to documents may be obtained through written request to the Freedom of Information Officer, as detailed in section 17 of the Freedom of Information Act. In summary, the requirements for making a request are that:

- it should be in writing
- it should identify as clearly as possible which document is being requested
- it should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Requests for documents in the possession of Public Transport Victoria should be addressed to:

Freedom of Information Officer
Public Transport Victoria
PO Box 4724, Melbourne Victoria 3001
Email: **ptvfoi@ptv.vic.gov.au**

Requests can also be lodged online through Freedom of Information Online at **foi.vic.gov.au**

Section 4
Other disclosures

Freedom of Information Activity 2016–17

Requests received[(i)]	
Member of Parliament	16
Media	11
Others[(ii)]	37
Total	**64**

Decisions made	
Full access	9
Part access	39
Denied access	3
No documents	7
Transferred/Withdrawn[(iii)]	10
Total	**68**

Processing time	
Average processing time	38.0 days
45 days or less	46
46 to 90 days	16
Over 90 days	6
Total	**68**

FOIC review/complaints received	
Member of Parliament	2
Media	0
Others	7
Total	**9**

Outcome of FOIC review/complaints	
Complaint resolved – No further action	1
Decision confirmed	1
Decision varied	0
Review dismissed due to VCAT appeal	1
Decision pending	6
Total	**9**

VCAT appeals received	
Member of Parliament	0
Media	0
Others	1
Total	**1**

VCAT appeals decided	
Withdrawn	0
Struck out	0
Original decision confirmed	0
Original decision varied	0
Total	**0**

(i) Lists all requests received by PTV, including three requests which, after consultation, were transferred to another agency for processing.

(ii) Includes solicitors, companies/organisations, private persons and lobby groups.

(iii) Includes requests transferred, withdrawn, not processed, not proceeded with and where the *FOI Act* does not apply.

Compliance with the *Building Act 1993*

PTV does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993* (Vic).

National Competition Policy

Under the *National Competition Policy*, the guiding legislative 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
- the objectives of the legislation can only be achieved by restricting competition.

PTV continues to comply with the requirements of the *National Competition Policy*.

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete, with the private sector, any advantage arising solely from their government ownership be removed if they are not in the public interest. Government businesses are required to cost and price these services as if they were privately owned and thus be fully cost reflective.

Competitive neutrality policy provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

PTV is therefore working to enable Victoria to fulfil its requirements on competitive neutrality reporting for technological-based businesses against the enhanced principles as required under the National Reform Agenda.

Section 4
Other disclosures

Environment

Office-based environmental impacts

PTV has committed to a number of environmental initiatives as a result of the Victorian Auditor-General's Report, *Managing the Environmental Impacts of Transport* published in 2014.

PTV has developed an Environment and Sustainability Strategy (2015–2020) to provide broad guidance on key environmental initiatives to be addressed in the medium term in accordance with the *PTV Corporate Plan 2014–18*.

PTV also recognises the emission reduction targets et by the Victorian Government in the *Climate Change Act 2017* and is committed to reducing our emissions to achieve zero net emissions by 2050.

Key initiatives to be addressed that are relevant to office-based impacts include:

- developing and implementing an Environmental Management System based on ISO 14001 to be integrated with the Safety Management System
- completing an environmental footprint to understand impacts
- developing and implementing a monitoring and evaluation framework for PTV targeted at understanding the baseline performance of public transport
- integrating whole-of-lifecycle considerations into the procurement process
- promoting energy and transport technologies that have the least impact
- developing and implementing sustainability specifications.

PTV's Environment Management System (EMS) has been established to meet Victorian Government expectations and to reduce the impact on the environment. The initial focus is on PTV's office based activities in the areas of energy consumption, transportation, waste generation, water consumption, and procurement.

The EMS objectives include:

- adopting an environmental management system based on ISO 14001
- communicating environmental performance through regular reporting
- encouraging staff to reduce environmental impacts
- reducing the amount of waste, and maximising the amount reused and recycled
- reducing vehicle fleet emissions
- making environmentally-sound purchasing decisions for capital items and consumables.

Improving the sustainability performance and resilience-to-climate-change impacts of our transport networks is a key priority for PTV.

Energy

PTV consumes energy for a number of different uses including office facilities and customer services (such as PTV Hubs).

The data presented was collected through energy retailer billing information for the corporate office and PTV Hubs. PTV is continuing to develop systems to more comprehensively collect data regarding expenditure of natural gas and green power, particularly at operational facilities.

Indicator	2016–17		
	Electricity	Natural gas	Green power
Total energy usage segmented by primary source (MJ)	3,740,915	–	–
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets ($t\ CO_2\ e$)	1122	–	–
Percentage of electricity purchased as green power	0	–	–
Units of energy used per FTE (MJ/FTE)	8097	–	–
Units of energy used per unit of office area (MJ/m^2)	263	–	–

Actions undertaken

Reducing Energy Use:

Not applicable – After the creation of Transport for Victoria and staff movements, PTV will now commence an energy reduction project in 2017–18.

Target

10 per cent energy intensity reduction, measured as MJ/m^2, from 2015–16 values ($265MJ/m^2$) by 30 June 2018.

Waste

The waste generated by processes within PTV is divided into three general classes – landfill, organics and commingled recycling. Waste at 750 Collins St is managed by the building's owner and manager, General Property Trust (GPT).

The data presented below is derived from GPT Waste Profiling Report – PTV Tenancy.

Indicator	2016–17		
	Landfill	Recycled waste	Organics
Total units of waste disposed of by destination (kg/yr)	34620	23370	710
Units of waste disposed of per FTE by destinations (kg/FTE)	74.9	50.58	1.53
Recycling rate (percentage of total waste)	41.02%		
Greenhouse gas emissions associated with waste disposal ($t\ CO_2\ e$)	42		

Actions undertaken

Avoidance to landfill:

- Re-use coffee cups given free to all staff to reduce number of non-recylable coffee cups in landfill waste.
- Discussions held with The Closed Loop regarding joining their coffee cup collection service in 2017–18.

Target

Increase per cent of waste avoiding landfill to 50 per cent by 30 June 2018.

Explanatory notes

Waste greenhouse gas emissions calculations have been determined from the National Greenhouse Accounts Factors (2017) for waste disposed to landfill. They are measured in tonnes of carbon dioxide equivalent ($t\ CO_2\ e$).

Section 4
Other disclosures

Paper

Indicator	2016–17
Total units of copy paper used (reams)	6,874
Units of copy paper used per FTE (reams/FTE)	14.87
Percentage of 75 100% recycled content copy paper purchased	96.66
Percentage of 50 75% recycled content copy paper purchased	–
Percentage of 0 50% recycled content copy paper purchased	3.33

Actions undertaken

Reducing paper use:

No further action taken in 2016–17.

Target

Reduce total units of A4 equivalent copy paper used (reams) by 5 per cent based on 2015–16 baseline by 30 June 2018.

Water

This data is based on water meter readings from the tenancy. The building is a five-star rated building.

Indicator	2016–17
Total units of metered water consumed by usage types (kilolitres)	3,271
Units of metered water consumed in offices per FTE (kilolitres/FTE)	7
Units of metered water consumed in offices per unit of office area (kilolitres/m^2)	0.22

Actions undertaken

Water-saving features – No further action taken in 2016–17.

Target

10 per cent reduction in water consumption based on 2015–16 baseline (litres per FTE) by 30 June 2018.

Explanatory notes

Water data is provided by building management team (GPT) as per the lease requirements for the entire 750 Collins Street building. Water usage for PTV is calculated by dividing the total water consumed at 750 Collins Street by the number of floors occupied by PTV.

Transport

In 2016–17 PTV chose to use VicFleet exclusively for its vehicle use and no longer uses PTV-owned vehicles. This has led to a greater reliability of data and the target will now be benchmarked from the present financial year as it reflects a more accurate picture of fleet emissions.

PTV made 614 pool vehicle hires during 2016–17. Hybrid vehicle use accounted for roughly 50 per cent of the energy consumption and emissions but accounted for over 69 per cent of the kilometres travelled. The fuel usage and distance travelled are included in the adjacent table.

Actions undertaken

Reduce fleet emissions:

- Use of VicFleet-only vehicles (greater data reliability and greater percentage of Hybrid/non-diesel vehicles)
- Encouraged staff travel via public transport with the provision of staff travel passes and the removal of staff car parking spaces at PTV offices.

Target

- Investigate efficiencies to reduce consumption of fuels used by PTV's passenger vehicle fleet compared with 2016–17 to reduce emissions by 10 per cent by 30 June 2018.
- In 2017–18 PTV will investigate offsetting flight and fleet emissions as well as taking steps to reduce them.

Operational vehicles

Reporting period	2016–17	
Vehicle type	4 cyl	6 cyl
Total energy consumption by vehicles (MJ)	16750.38	13631.83
Diesel	–	3785.83
LPG	–	–
Unleaded	1253.17	9846
Hybrid	15497.21	–
Total vehicle travel associated with entity operations (km)	251,352	99684
Diesel	–	21,699
LPG	–	
Unleaded	8429	77,985
Hybrid	242,923	–
Total greenhouse gas emissions from vehicle fleet (t CO_2 e)	38.69	32.93
Diesel	–	10.19
LPG	–	–
Unleaded	2.88	22.74
Hybrid	35.81	–
Greenhouse gas emissions from vehicle fleet per 1,000 km travelled (t CO_2 e)	–	–
Diesel	–	–
LPG	–	–
Unleaded	–	–
Hybrid	–	–

Work-related flights	Total distance travelled by aeroplane (km)	Greenhouse gas
2016–17	287,539	155

Section 4
Other disclosures

Greenhouse gas emissions

The emissions disclosed below are taken from the previous sections and combined here to show PTV's greenhouse footprint measured in tonnes of carbon dioxide equivalent (t CO_2 e).

Indicator	2016–17
Total greenhouse gas emissions associated with energy use (t CO_2 e)	1122
Total greenhouse gas emissions associated with vehicle fleet (t CO_2 e)	71.62
Total greenhouse gas emissions associated with air travel (t CO_2 e)	155
Total greenhouse gas emissions associated with waste production (t CO_2 e)	42
Greenhouse gas emissions offsets purchased (t CO_2 e)	None

Target

- To investigate options to reduce PTV's environmental footprint.
- To offset emissions.

Explanatory notes

PTV has recently assessed its environmental footprint, creating a baseline from which to investigate efficiencies to reduce our carbon footprint.

Other information

Actions taken during the year to reduce PTV emissions.

- Environmental staff awareness programs included in the PTV induction.
- Commenced climate change impact awareness training.
- PTV joined VicFleet system and no longer uses PTV-owned vehicles.
- PTV is now part of whole of government flight booking service and is in discussion regarding offsetting flight emissions.
- Reusable keep cups given to staff free of charge and discussions held with service provider for the collection and reuse of non-recyclable coffee cups from the office.
- Maintained and promoted organics bin trial introduced at the end of 2015–16 financial year.

Additional information available

The Directions of the Minister for Finance, pursuant to the *Financial Management Act 1994* (Vic) require a range of information to be prepared in relation to the financial year.

This material is itemised below, and where not published in this report, is published on the PTV website as Additional Information, on the same page as the annual report:

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

Risk and insurance attestation

Attestation for compliance with the Ministerial Standing Direction 3.7.1

I, Jeroen Weimar, Chief Executive, certify that Public Transport Victoria has complied with the Ministerial Standing Direction 3.7.1 – Risk management framework and processes. Public Transport Victoria's Audit and Risk Committee has verified this.

Jeroen Weimar
Chief Executive
Public Transport Victoria


W CLEARANCE 3.8m

Consolidated financial statements

These consolidated financial statements for the year ended 30 June 2017 are prepared for the Public Transport Development Authority (operating as Public Transport Victoria) and its controlled entity.

A description of the nature of PTV's operations and its principal activities are included in the report of operations.

For queries in relation to these consolidated financial statements please visit **www.ptv.vic.gov.au**

Consolidated financial statements

Public Transport Victoria – Consolidated financial statements

How this report is structured

Public Transport Victoria (PTV) has presented its audited general purpose consolidated financial statements for the financial year ended 30 June 2017 in the following structure to provide users with the information about the PTV's stewardship of resources entrusted to it.

Notes to the consolidated financial statements

Consolidated financial statements
Accountable Officer’s and Chief Finance and Accounting Officer’s declaration

Public Transport Development Authority

Accountable Officer’s and Chief Finance and Accounting Officer’s Declaration

The attached consolidated financial statements for the Public Transport Development Authority have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of the Public Transport Development Authority and its controlled entity as at 30 June 2017.

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 consolidated financial statements for issue on 05 October 2017.

Alan Fedda
Acting Chief Executive

Melbourne
05 October 2017

Fred Cilia
Chief Financial Officer

Melbourne
05 October 2017

Victorian Auditor-General's report

Independent Auditor's Report

Victorian Auditor-General's Office

To the Chief Executive Officer of the Public Transport Development Authority

Opinion	I have audited the consolidated financial report of the Public Transport Development Authority (the authority) and its controlled entity (consolidated entity), which comprises the: • consolidated comprehensive operating statement for the year then ended • consolidated balance sheet as at 30 June 2017 • consolidated cash flow statement for the year then ended • consolidated statement of changes in equity for the year then ended • notes to the financial statements, including a summary of significant accounting policies • Accountable Officer's and Chief Finance and Accounting Officer's Declaration. In my opinion, the financial report presents fairly, in all material respects, the financial positions of the authority and the consolidated entity as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. My responsibilities under that Act and those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the authority and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Chief Executive Officer's responsibilities for the financial report	The Chief Executive Officer of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Chief Executive Officer is responsible for assessing the authority and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

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

Consolidated financial statements
Victorian Auditor-General's report

Auditor's responsibilities for the audit of the financial report	As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority and the consolidated entity's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer • conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority and the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority and the consolidated entity to cease to continue as a going concern • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation • obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the authority and consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the authority and the consolidated entity. I remain solely responsible for my audit opinion. I communicate with the Chief Executive Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
9 October 2017

Andrew Greaves
Auditor-General

Consolidated comprehensive operating statement for the financial year ended 30 June 2017

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Continuing operations					
Income from transactions					
Grants from Victorian Government	2.1.1	4,304,449	4,080,034	4,304,449	4,080,034
Supply of transport services	2.1.2	226,959	212,981	226,959	212,981
Fair value of assets and resources received free of charge(i)	2.1.3	55,572	56,430	55,572	56,430
Operators' contribution for marketing and communications	2.1.4	9,136	8,988	9,136	8,988
Issuance fee of myki cards	2.1.5	13,980	12,863	13,980	12,863
Licence fee from advertising panels at bus shelters	2.1.6	20,185	19,682	20,185	19,682
Interest	2.1.7	3,041	3,749	3,041	3,749
Other income	2.2	1,589	2,216	1,589	2,216
Total income from transactions		**4,634,912**	**4,396,943**	**4,634,912**	**4,396,943**
Expenses from transactions					
Service providers and transport agencies	3.1.1	(4,400,198)	(4,198,205)	(4,400,198)	(4,198,205)
Supplies and services	3.3	(95,815)	(80,605)	(95,815)	(80,605)
Fair value of assets and services provided free of charge(ii)	3.3	(30,203)	(23,755)	(30,203)	(23,755)
Employee expenses	3.1.2	(45,763)	(52,844)	(45,763)	(52,844)
Depreciation and amortisation	5.1.1	(48,845)	(49,264)	(48,845)	(49,264)
Interest expense	7.1	(40,752)	(39,056)	(40,752)	(39,056)
Capital asset charge	3.2	(8,195)	(7,155)	(8,195)	(7,155)
Total expenses from transactions		**(4,669,771)**	**(4,450,884)**	**(4,669,771)**	**(4,450,884)**
Net result from transactions (net operating balance)		**(34,859)**	**(53,941)**	**(34,859)**	**(53,941)**
Other economic flows included in net result					
Net gains/(losses) on non-financial assets	9.2	(54)	(304)	(54)	(304)
Other gains/(losses) from other economic flows	9.2	223	(377)	223	(377)
Changes in fair value of foreign currency forward contracts	9.2	241	(241)	241	(241)
Total other economic flows included in net result		**411**	**(922)**	**411**	**(922)**
Net result		**(34,448)**	**(54,863)**	**(34,448)**	**(54,863)**
Comprehensive result		**(34,448)**	**(54,863)**	**(34,448)**	**(54,863)**

(i) $55,027,000 (2016: $55,654,000) represents the use of ticketing (myki) assets held by VicTrack. The fair value calculation of this income is determined as the depreciation charge of the assets (see note 2.1.3 for details).

(ii) As above, PTV provided maintenance of ticketing assets free of charge to VicTrack. The fair value calculation is the actual cost of maintenance for these assets of $30,203,000 (2016: $23,755,000).

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

Consolidated financial statements

Consolidated balance sheet as at 30 June 2017

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Assets					
Financial assets					
Cash and deposits	7.3	35,128	24,960	35,128	24,960
Receivables	6.1	497,709	530,809	497,709	530,809
Total financial assets		**532,837**	**555,769**	**532,837**	**555,769**
Non-financial assets					
Inventories	6.3	25,403	37,866	25,403	37,866
Property, plant and equipment	5.1	1,394,060	1,400,190	1,394,060	1,400,190
Intangible assets	5.2	5,801	5,974	5,801	5,974
Prepayments	6.4	355	507	355	507
Total non-financial assets		**1,425,619**	**1,444,537**	**1,425,619**	**1,444,537**
Total assets		**1,958,456**	**2,000,306**	**1,958,456**	**2,000,306**
Liabilities					
Payables	6.2	478,744	585,323	478,744	585,323
Borrowings	7.1	519,914	506,257	519,914	506,257
Employee related provisions	3.1.3	414,795	397,888	414,795	397,888
Other provisions	6.5	10,173	10,173	10,173	10,173
Total liabilities		**1,423,626**	**1,499,641**	**1,423,626**	**1,499,641**
Net assets		**534,830**	**500,665**	**534,830**	**500,665**
Equity					
Contributed capital		390,426	321,813	390,426	321,813
Accumulated deficit		(76,552)	(42,104)	(76,552)	(42,104)
Physical Asset Revaluation Surplus		220,956	220,956	220,956	220,956
Net worth		**534,830**	**500,665**	**534,830**	**500,665**

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

Consolidated cash flow statement for the financial year ended 30 June 2017

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash flows from operating activities					
Receipts					
Receipts from government		4,333,602	4,134,647	4,333,602	4,134,647
Fare receipts		871,500	813,945	871,500	813,945
Goods and Services Tax recovered from the ATO		342,499	307,402	342,499	307,402
Receipts from operators		9,136	8,988	9,136	8,988
Interest received		2,893	3,602	2,893	3,602
Other receipts		28,150	31,773	28,150	31,773
Total receipts		**5,587,780**	**5,300,357**	**5,587,780**	**5,300,357**
Payments					
Payments to service providers and transport agencies		(2,886,788)	(2,791,242)	(2,886,788)	(2,791,242)
Fare receipts (remitted to transport operators)		(642,314)	(600,652)	(642,314)	(600,652)
Payments to suppliers and employees		(84,058)	(105,040)	(84,058)	(105,040)
Interest and other costs of finance paid		(40,511)	(39,297)	(40,511)	(39,297)
Capital asset charge		(1,857,794)	(1,741,258)	(1,857,794)	(1,741,258)
Total payments		**(5,511,465)**	**(5,277,489)**	**(5,511,465)**	**(5,277,489)**
Net cash flows from/(used in) operating activities	**7.3.1**	**76,314**	**22,868**	**76,314**	**22,868**
Cash flows from investing activities					
Payments for non-financial assets		(785,088)	(947,602)	(785,088)	(947,602)
Proceeds from disposals of non-financial assets		180	222	180	222
Net cash flows from/(used in) investing activities		**(784,908)**	**(947,380)**	**(784,908)**	**(947,380)**
Cash flows from financing activities					
Proceeds from capital contributions by DEDJTR		705,105	873,461	705,105	873,461
Repayment of loans		(11,097)	–	(11,097)	–
Proceeds from loans		36,307	42,085	–	30,234
Repayments/Proceeds of finance lease liabilities		(11,553)	(10,157)	24,754	1,694
Net cash flows from/(used in) financing activities		**718,761**	**905,389**	**718,761**	**905,389**
Net increase/(decrease) in cash and cash equivalents		**10,168**	**(19,123)**	**10,168**	**(19,123)**
Cash and cash equivalents at the beginning of the financial year		24,960	44,083	24,960	44,083
Cash and cash equivalents at the end of the financial year	**7.3**	**35,128**	**24,960**	**35,128**	**24,960**

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

Consolidated financial statements

Consolidated statement of changes in equity for the financial year ended 30 June 2017

	Note	Contributions by owner $'000	Accumulated surplus/ (deficit) $'000	Physical asset revaluation surplus $'000	Total $'000
Consolidated					
Balance at 30 June 2015		**322,112**	**12,759**	**220,956**	**555,827**
Net comprehensive result for the year		–	(54,863)	–	(54,863)
Capital contributions funding from DEDJTR during the period		873,462	–	–	873,462
Capital transfer to VicTrack	4.2.1	(873,761)	–	–	(873,761)
Balance at 30 June 2016		**321,813**	**(42,104)**	**220,956**	**500,665**
Net comprehensive result for the year		–	(34,448)	–	(34,448)
Capital contributions funding from DEDJTR during the period		705,105	–	–	705,105
Capital transfer to DEDJTR	4.2.2	(9,636)	–	–	(9,636)
Capital transfer to VicTrack	4.2.1	(626,855)	–	–	(626,855)
Balance at 30 June 2017		**390,426**	**(76,552)**	**220,956**	**534,830**
Parent					
Balance at 30 June 2015		**322,112**	**12,759**	**220,956**	**555,827**
Net comprehensive result for the year		–	(54,863)	–	(54,863)
Capital contributions funding from DEDJTR during the year		873,462	–	–	873,462
Capital transfer to VicTrack	4.2.1	(873,761)	–	–	(873,761)
Balance at 30 June 2016		**321,813**	**(42,104)**	**220,956**	**500,665**
Net comprehensive result for the year		–	(34,448)	–	(34,448)
Capital contributions funding from DEDJTR during the year		705,105	–	–	705,105
Capital transfer to DEDJTR	4.2.2	(9,636)	–	–	(9,636)
Capital transfer to VicTrack	4.2.1	(626,855)	–	–	(626,855)
Balance at 30 June 2017		**390,426**	**(76,552)**	**220,956**	**534,830**

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

Notes to the consolidated financial statements

1. About this report

Public Transport Development Authority, operating as Public Transport Victoria (PTV), is a statutory authority of the State of Victoria, established under the *Transport Integration Act 2010*.

The legislation to establish the Public Transport Development Authority was passed by the Parliament of Victoria on 8 November 2011 and received Royal Assent on 15 December 2011. Operations for PTV commenced on 2 April 2012. The *Transport Integration Amendment Act 2017* (Head, Transport for Victoria and Other Governance Reforms), which commenced in April 2017, amended the statutory charter of PTV. This included establishing the Chief Executive Officer of PTV as the Responsible Body and the Accountable Officer.

Its principal address is 750 Collins Street, Docklands, Victoria 3008.

The financial statements include all the controlled activities of PTV.

A description of the nature of PTV's operations and its principal activities is included in the **Report of operations**, which does not form part of the consolidated financial statements.

Basis of preparation

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

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

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of PTV.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

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

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying AAS that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

These consolidated financial statements cover PTV as an individual reporting entity and include all the controlled activities of PTV.

In accordance with AASB 10 *Consolidated Financial Statements*, the consolidated financial statements of PTV incorporate assets and liabilities of a reporting entity controlled by PTV as at 30 June 2017, and its income and expenses for that part of the reporting period in which control existed.

PTV is considered to have control over Franchise Asset Holdings Pty Ltd ('Franchise Asset Holdings') from 4 August 2013. Franchise Asset Holdings is a special purpose entity for the purpose of acquisition and financing of buses and development of bus depots as part of the franchise arrangement with Transdev Melbourne Pty Ltd. The results of Franchise Asset Holdings are included in the consolidated comprehensive operating statement from 4 August 2013, the date on which control commenced. The only reporting entity controlled by PTV as at 30 June 2017 and 30 June 2016 was Franchise Asset Holdings.

Consolidated financial statements
Notes to the consolidated financial statements

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

The financial statements have been prepared on a going concern basis, despite the negative working capital position of $29.4 million (2016: $28.9 million). The going concern assumption has been made as PTV continues to be fully funded by government grant and capital contribution in accordance with the approved budget, the management and CEO are satisfied that PTV will be able to meet its financial obligations as and when they fall due for 12 months after the sign off of the annual report.

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

Compliance information

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

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

2. Funding delivery of services

Introduction

Public Transport Victoria's (PTV) overall objective is to improve public transport in Victoria by ensuring better coordination between modes, facilitating expansions to the network, auditing public transport assets and promoting public transport as an alternative to the road transport.

To enable PTV to fulfil its objective and provide outputs as described in Section 4, it receives income (predominantly accrual based grants from the Department of Economic Development, Jobs, Transport and Resources (DEDJTR)).

Structure

2.1 Summary of income that funds the delivery of services

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Continuing operations					
Income from transactions					
Grants from Victorian Government	2.1.1	4,304,449	4,080,034	4,304,449	4,080,034
Supply of transport services	2.1.2	226,959	212,981	226,959	212,981
Fair value of assets and resources received free of charge(i)	2.1.3	55,572	56,430	55,572	56,430
Operators' contribution for marketing and communications	2.1.4	9,136	8,988	9,136	8,988
Issuance fee of myki cards	2.1.5	13,980	12,863	13,980	12,863
Licence fee from advertising panels at bus shelters	2.1.6	20,185	19,682	20,185	19,682
Interest	2.1.7	3,041	3,749	3,041	3,749
Other income from transactions	2.2	1,589	2,216	1,589	2,216
Total income from transactions		**4,634,912**	**4,396,943**	**4,634,912**	**4,396,943**

(i) 2017: $55,027,000 (2016: $55,654,000) represents the use of ticketing (myki) assets held by VicTrack.
The fair value calculation of this income is determined as the depreciation charge of the assets (see note 2.1.3 for details).

Consolidated financial statements
Notes to the consolidated financial statements

Income is recognised to the extent it is probable the economic benefits will flow to PTV and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. All amounts of income over which PTV does not have control are disclosed as administered income (see Note 4.1).

2.1.1 Grants from Victorian Government

Income from grants from Victorian Government is recognised when PTV obtains control over the contribution, or the right to receive the contribution.

2.1.2 Supply of transport services

Supply of transport services is recognised by reference to the stage of completion of services being performed. The income is recognised when:

the amount of income, stage of completion and transaction costs incurred can be reliably measured; and it is probable that the economic benefits associated with the transaction will flow to PTV.

2.1.3 Fair value of assets and resources received free of charge

Contributions of resources received free of charge or for nominal consideration are recognised at fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

PTV received $55,027,000 (2016: $55,654,000) use of ticketing assets free of charge from VicTrack. Fair value of the use of ticketing assets free of charge is determined as the depreciation charge of ticketing assets.

PTV provided maintenance of ticketing assets free of charge to VicTrack. The fair value calculation is the actual cost of maintenance for these assets of $30,203,000 (2016: $23,755,000).

2.1.4 Operators' contribution for marketing and communications

Under the franchise agreements in relation to provision for transport services, transport service operators have to make a contribution towards the costs of marketing and communications. The contribution is recognised as revenue when the deduction for the contribution is made from payments to the transport service operators.

2.1.5 Issuance fee of myki cards

Issuance fee of myki cards is recognised at the time of sale of myki cards.

2.1.6 Licence fee from advertising panels at bus shelters

Licence fee from advertising panels at bus shelters is recognised on a straight line basis over the term of which the right to advertise is granted to the bus shelter provider.

2.1.7 Interest

Interest income represents interest on deposits with bank and call and term deposits with the Treasury Corporation of Victoria. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

2.2 Other income from transactions

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cost recovery	1,022	568	1,022	568
Extension of development rights	540	1,620	540	1,620
Property rental	28	28	28	28
Total other income from transactions	**1,589**	**2,216**	**1,589**	**2,216**

3. The cost of delivering services

Introduction

This section provides an account of the expenses incurred by PTV in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded. Section 4 discloses aggregated information in relation to the income and expenses by output.

Structure

3.1 Expenses incurred in delivery of services

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Service providers and transport agencies	3.1.1	4,400,198	4,198,205	4,400,198	4,198,205
Employee benefit	3.1.2	45,763	52,844	45,763	52,844
Capital asset charges	3.2	8,195	7,155	8,195	7,155
Other operating expenses	3.3	126,018	104,360	126,018	104,360
Total expenses incurred in delivery of services		**4,580,174**	**4,362,564**	**4,580,174**	**4,362,564**

3.1.1 Service providers and transport agencies

		Consolidated		Parent	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Service providers and transport agencies					
Rail system operation and related services[i]		1,437,330	1,395,419	1,437,330	1,395,419
Grants for capital asset charge		1,849,599	1,734,103	1,849,599	1,734,103
Total rail services		**3,286,929**	**3,129,522**	**3,286,929**	**3,129,522**
Bus services		998,611	958,014	998,611	958,014
Ticketing service operating costs		59,632	55,015	59,632	55,015
Fair value of free use of ticketing assets	2.1.3	55,027	55,654	55,027	55,654
Total service providers and transport agencies		**4,400,198**	**4,198,205**	**4,400,198**	**4,198,205**

(i) Of the balance in rail system operation and related services, $20,354,000 (2016: $17,603,000) related to operating and maintenance of the Southern Cross Station building contracted under the Public Private Partnership (PPP) arrangement.

Consolidated financial statements
Notes to the consolidated financial statements

Payments to service providers and transport agencies are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants, subsidies and other transfer payments to other agencies, such as V/Line.

Grant expenses are contributions of PTV's resources to V/Line for capital asset charge where this no expectation that the amount will be repaid in equal value. Grants expenses are recognised as an expense in the reporting period in which they are paid or payable. Grants can take the form of money, assets, goods, services or forgiveness of liabilities.

3.1.2 Employee benefits in the comprehensive operating statement

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Salaries and wages	29,127	34,386	29,127	34,386
Annual leave and long service leave expense	6,876	7,177	6,876	7,177
Defined contribution superannuation expenses (excluding salary sacrifice)	5,007	4,945	5,007	4,945
Termination benefits (Workforce reduction payments)	477	1,673	477	1,673
Other on-costs (fringe benefits tax, payroll tax and WorkCover premuim)	4,196	4,663	4,196	4,663
Ex-gratia expense(i)	81	–	81	–
Total employee expenses	**45,763**	**52,844**	**45,763**	**52,844**

(i) Ex-gratia expenses is also presented in Note 9.1.

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

The amount recognised in the consolidated comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. PTV does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

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

3.1.3 Employee benefits in the balance sheet

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

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current provisions				
Annual leave(i)				
Unconditional and expected to settle within 12 months(ii)	2,395	2,908	2,395	2,908
Unconditional and expected to settle after 12 months(iii)	2,114	2,482	2,114	2,482
Long service leave(i)				
Unconditional and expected to settle within 12 months(ii)	683	919	683	919
Unconditional and expected to settle after 12 months(iii)	3,060	4,115	3,060	4,115
Performance bonus provision(i)	238	540	238	540
Total employee benefits	**8,491**	**10,964**	**8,491**	**10,964**
Provisions for on-costs				
Unconditional and expected to settle within 12 months(ii)	496	619	496	619
Unconditional and expected to settle after 12 months(iii)	836	1,068	836	1,068
Total provision for on-costs	**1,332**	**1,687**	**1,332**	**1,687**
Other provisions				
Provision for the employee entitlements of rail operators(iv)	7,202	3,352	7,202	3,352
Provision for fringe benefits tax	39	21	39	21
Total other provisions	**7,241**	**3,373**	**7,241**	**3,373**
Total current provisions for employee benefits	**17,064**	**16,024**	**17,064**	**16,024**
Non-current provisions				
Employee benefits and on-costs				
Employee benefits(v)	1,517	1,896	1,517	1,896
On-costs	244	306	244	306
Total employee benefits and on-costs	**1,761**	**2,202**	**1,761**	**2,202**
Other provisions				
Provision for employee entitlements of rail operators(iv)	395,970	379,662	395,970	379,662
Total other provisions	**395,970**	**379,662**	**395,970**	**379,662**
Total non-current provisions for employee benefits	**397,731**	**381,864**	**397,731**	**381,864**
Total provisions for employee benefits	**414,795**	**397,888**	**414,795**	**397,888**

(i) Provisions for employee benefits consist of amounts for annual leave, long service leave, performance bonus payments accrued by employees, not including on-costs.

(ii) The amounts disclosed are nominal amounts.

(iii) The amounts disclosed are discounted to present values.

(iv) The State of Victoria assumes liabilities for the employee entitlements of the employees of the public transport operators.

(v) The amounts disclosed represents long service leave entitlements for employees with less than seven years of continuous service discounted to present value.

Consolidated financial statements

Notes to the consolidated financial statements

Reconciliation of movement in on-cost provision

	Employee benefits	Performance bonus provision	On-costs	Rail operators' employee benefits	Fringe benefits tax	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated						
Opening balance at 30 June 2016	**12,320**	**540**	**1,993**	**383,014**	**21**	**397,888**
Additional provisions recognised	7,556	716	(368)	23,076	18	30,999
Reductions transfer out	(4,250)	–	–	–	–	(4,250)
Reductions arising from payments/other sacrifices of future economic benefits	(5,552)	(1,018)	–	(2,918)	–	(9,488)
Unwinding of discount and effect of changes in the discount rate	(304)	–	(49)	–	–	(353)
Closing balance at 30 June 2017	**9,770**	**238**	**1,576**	**403,172**	**39**	**414,795**
Current	8,253	238	1,332	7,202	39	17,064
Non-current	1,517	–	244	395,970	–	397,731
Parent						
Opening balance at 30 June 2016	**12,320**	**540**	**1,993**	**383,014**	**21**	**397,888**
Additional provisions recognised	7,556	716	(368)	23,076	18	30,999
Reductions transfer out	(4,250)	–	–	–	–	(4,250)
Reductions arising from payments/other sacrifices of future economic benefits	(5,552)	(1,018)	–	(2,918)	–	(9,488)
Unwinding of discount and effect of changes in the discount rate	(304)	–	(49)	–	–	(353)
Closing balance at 30 June 2017	**9,770**	**238**	**1,576**	**403,172**	**39**	**414,795**
Current	8,253	238	1,332	7,202	39	17,064
Non-current	1,517	–	244	395,970	–	397,731

Wages and salaries, annual leave and sick leave: Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because PTV does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As PTV expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as PTV does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

Employment on-costs such as payroll tax, workers compensation and superannuation are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Unconditional LSL is disclosed as a current liability; even where PTV 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 liability are measured at:

- undiscounted value – if PTV expects to wholly settle within 12 months; or
- present value – if PTV does not expect to wholly settle within 12 months.

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

Any gain or loss following revaluation of the present value of 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' in the net result.

Consolidated financial statements
Notes to the consolidated financial statements

3.1.4 Superannuation contributions

Employees of PTV are entitled to receive superannuation benefits and PTV contributes to both defined benefit and defined contribution plans. The defined benefit plans provides benefits based on years of service and final average salary.

As noted before, the defined benefit liability is recognised in DTF as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of PTV.

	Paid contribution for the year				Contributions outstanding at year end			
	Consolidated		Parent		Consolidated		Parent	
Fund	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Defined benefit plans (i)								
State Superannuation Fund – revised and new	191	202	191	202	3	–	3	–
Transport Superannuation Fund	77	142	77	142	1	–	1	–
Total defined benefit plans	**268**	**344**	**268**	**344**	**4**	**–**	**4**	**–**
Defined contribution plans								
VicSuper	2,560	2,742	2,560	2,742	36	–	36	–
Various others	3,069	2,831	3,069	2,831	44	–	44	–
Total defined contribution plans	**5,629**	**5,574**	**5,629**	**5,574**	**80**	**–**	**80**	**–**
Total superannuation plans	**5,897**	**5,918**	**5,897**	**5,918**	**84**	**–**	**84**	**–**

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

3.2 Capital asset charge

A charge levied on the written down value of controlled non-current physical assets in a public sector agency's balance sheet which aims to: attribute to agency outputs the opportunity cost of capital used in service delivery; and provide incentives to agency to identify and dispose of underutilised or surplus assets in a timely manner. The capital asset charge is calculated on the budgeted carrying amount of applicable non-financial physical assets.

3.3 Other operating expenses

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Supplies and services				
Grants for community and social benefits	7,541	7,896	7,541	7,896
Communications, marketing and information technology	44,201	41,768	44,201	41,768
Accommodation	5,521	7,016	5,521	7,016
Insurance, legal and internal audit fees	1,631	3,314	1,631	3,314
Contractors for services	36,664	20,361	36,664	20,361
Audit fee	256	250	256	250
Total supplies and services	**95,815**	**80,605**	**95,815**	**80,605**
Fair value of services provided free of charge	30,203	23,755	30,203	23,755
Other operating expenses	**126,018**	**104,360**	**126,018**	**104,360**

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debts expense from transactions that are mutually agreed.

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

Fair value of services provided free of charge or for nominal consideration are recognised at their fair value when the recipient obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the contributions. The exception to this would be when the resource is received from another government department (or agency) as a consequence of a restructuring of administrative arrangements, in which case such a transfer will be recognised at its carrying value in the transferring department or agency. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

PTV provided the services of myki ticketing system maintenance free of charge to VicTrack. Fair value of the asset maintenance services $30,203,138 (2016: $23,755,000) is recognised as services provided free of charge.

Operating lease payments (including contingent rentals) are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

Consolidated financial statements

Notes to the consolidated financial statements

4. Disaggregated financial information

Introduction

This section provides information on items administered in connection with the provisions of services in relation to public transport and restructuring of administrative arrangements.

Structure

4.1 Administered (Non-controlled) items

In addition to the specific operations which are included in the consolidated financial statements (consolidated comprehensive operating statement, consolidated balance sheet, consolidated statement of changes in equity and consolidated cash flow statement), PTV administers or manages other activities and resources on behalf of the State. The transactions relating to these State activities are reported as administered items in this note.

PTV administers on-the-spot penalty fares on behalf of the State from 10 August 2014 until 31 December 2016. On-the-spot penalty fares were abolished from December 2016. PTV does not gain control over the assets arising from the on-the-spot penalty fares.

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Administered income from transactions				
On-the-spot penalty fares	2,841	5,978	2,841	5,978
Interest revenue	4	9	4	9
Total administered income from transactions	**2,845**	**5,987**	**2,845**	**5,987**
Administered expenses from transactions				
Payments into the Consolidated Fund via DEDJTR	(3,233)	(4,708)	(3,233)	(4,708)
Other expenses	(534)	(924)	(534)	(924)
Total administered expenses from transactions	**(3,767)**	**(5,632)**	**(3,767)**	**(5,632)**
Total administered comprehensive result for the year	**(922)**	**355**	**(922)**	**355**
Accumulated administered result at the beginning of the year	**922**	**567**	**922**	**567**
Accumulated administered result at the end of the year	**–**	**922**	**–**	**922**
Administered financial assets				
Cash at bank	–	922	–	922
Total administered financial assets	**–**	**922**	**–**	**922**
Total administered assets	**–**	**922**	**–**	**922**

4.2 Restructuring of administrative arrangements

PTV had the following asset transfers:

4.2.1 Transfer of rail infrastructure assets from PTV to VicTrack

On 30 June 2017 and 30 June 2016 rail infrastructure assets under construction were transferred from PTV to VicTrack as a capital contribution.

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Assets				
Infrastructure assets under construction	626,855	873,761	626,855	873,761
Net assets transferred to VicTrack	**626,855**	**873,761**	**626,855**	**873,761**

4.2.2 Transfer of assets from PTV to Transport for Victoria

On 27 June 2016, the Minister for Public Transport and Minister for Roads and Road Safety and Ports announced the establishment of Transport for Victoria. Transport for Victoria has overarching responsibility across the transport portfolio, including agencies and is accountable for integrated planning, managing and coordination of Victoria's transport system and the provision of integrated advice to government.

To facilitate the establishment of Transport for Victoria, on 7 September 2016 and 16 November 2016, section 28 of the *Public Administration Act 2004* (PAA) directed PTV to transfer certain staff relating to network planning, communications and corporate support functions to Transport for Victoria. The timing of the transfer took two phases and the associated assets and liabilities are listed in the following table.

	Consolidated	Parent
	2017 $'000	2017 $'000
Phase 1		
Asset		
Cash	3,072	3,072
Work-in-Progress	9,636	9,636
Liabilities		
Employee benefits – annual leave	(1,253)	(1,253)
Employee benefits – long service leave	(1,819)	(1,819)
Net asset transferred from PTV to DEDJTR	**9,636**	**9,636**
Phase 2		
Asset		
Cash	1,178	1,178
Liabilities		
Employee benefits – annual leave	(492)	(492)
Employee benefits – long service leave	(686)	(686)
Net asset transferred from PTV to DEDJTR	**–**	**–**

Consolidated financial statements

Notes to the consolidated financial statements

5. Key assets available to support output delivery

Introduction

PTV controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to PTV to be utilised for delivery of those outputs.

Structure

5.1 Property, plant and equipment

Classification by 'Transportation and Communications' purpose group – Carrying amounts

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Land at fair value				
At cost of acquisition	9,916	–	–	–
At valuation 2015	493,818	495,451	493,818	493,818
Total land	**503,734**	**495,451**	**493,818**	**493,818**
Land under finance lease at fair value				
At cost	–	–	9,916	1,633
Total land under finance lease	**–**	**–**	**9,916**	**1,633**
Buildings at fair value				
At cost of acquisition	28,993	–	–	–
At valuation 2015	506,471	510,573	506,471	506,471
Less: accumulated depreciation	(27,252)	(13,452)	(26,857)	(13,424)
Total buildings[(i)]	**508,212**	**497,121**	**479,614**	**493,047**
Leased building at fair value				
At cost of acquisition	–	–	28,993	4,102
Less: accumulated depreciation	–	–	(395)	(28)
Total leased building	**–**	**–**	**28,598**	**4,074**

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Infrastructure at fair value				
At cost of acquisition	13,739	7,862	13,739	7,862
At valuation 2015	258,319	258,319	258,319	258,319
Less: accumulated depreciation	(48,962)	(24,448)	(48,962)	(24,448)
Total infrastructure	**223,096**	**241,733**	**223,096**	**241,733**
Plant and equipment at fair value				
At cost of acquisition	768	768	768	768
Less: accumulated depreciation	(662)	(592)	(662)	(592)
Total plant and equipment	**106**	**176**	**106**	**176**
Leasehold improvement at fair value				
At cost of acquisition	4,745	4,745	4,745	4,745
Less: accumulated depreciation	(3,142)	(2,450)	(3,142)	(2,450)
Total leasehold improvement	**1,603**	**2,295**	**1,603**	**2,295**
Vehicles at fair value				
At valuation 2015	92,540	92,540	–	–
At cost of acquisition	8,910	5,815	–	–
Less: accumulated depreciation	(18,724)	(9,262)	–	–
Total vehicles	**82,726**	**89,093**	**–**	**–**
Leased vehicles at fair value				
At valuation 2015	–	–	92,540	92,540
At cost of acquisition	690	724	9,600	6,539
Less: accumulated depreciation	(172)	(209)	(18,896)	(9,471)
Total leased vehicles	**518**	**515**	**83,244**	**89,608**
Cultural assets at fair value				
At valuation 2015	2,238	2,238	2,238	2,238
Less: accumulated depreciation	(49)	(25)	(49)	(25)
Total cultural assets	**2,189**	**2,213**	**2,189**	**2,213**
Assets under construction at cost				
Infrastructure	71,876	71,593	71,876	71,593
Total assets under construction	**71,876**	**71,593**	**71,876**	**71,593**
Net carrying amount of property, plant and equipment	**1,394,060**	**1,400,190**	**1,394,060**	**1,400,190**

(i) Of the balance in Buildings at fair value, $467,107,000 (2016: $479,368,000) is attributable to the Southern Cross Station building contracted under PPP arrangement.

Consolidated financial statements

Notes to the consolidated financial statements

Initial recognition: Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

The cost of a leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Also noted that certain assets are acquired under finance leases, which may form part of a service concession arrangements (public private partnership).

Subsequent measurement: Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised below by asset category.

Non-specialised land, non-specialised buildings and artworks are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

Specialised land and specialised buildings: The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants.

For the majority of PTV's specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciation.

Cultural assets and infrastructure are valued using the depreciated replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

Vehicles are valued using the depreciated replacement cost method. PTV acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in PTV who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Fair value for **plant and equipment** that are specialised in use (such that it is rarely sold other than as part of a going concern) is determined using the depreciated replacement cost method.

Refer to Note 8.3 for additional information on fair value determination of property, plant and equipment.

5.1.1 Depreciation and impairment

Charge for the period

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Depreciation and amortisation of property, plant and equipment				
Buildings[(i)]	13,800	13,452	13,405	13,424
Leased building	–	–	395	28
Infrastructure assets	24,513	24,436	24,513	24,436
Plant and equipment	71	81	71	81
Leasehold improvements	691	701	691	701
Vehicles	9,462	9,287	–	–
Leased vehicles	110	145	9,572	9,432
Cultural Assets	25	25	25	25
Total for property, plant and equipment	**48,672**	**48,127**	**48,672**	**48,127**
Amortisation				
Intangible assets	173	1,137	173	1,137
Total for intangibles	**173**	**1,137**	**173**	**1,137**
Total depreciation and amortisation	**48,845**	**49,264**	**48,845**	**49,264**

(i) Of the balance in depreciation – buildings, $12,262,000 (2016: $12,248,000) related to Southern Cross Station contracted under the PPP arrangement.

Consolidated financial statements

Notes to the consolidated financial statements

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. The exceptions to this rule include items under operating leases, assets held for sale, land and investment properties.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

	Estimated useful life (years)	
Asset category	2017	2016
Buildings	**22–80**	**22–80**
Leased building	**60**	**60**
Infrastructure	**5–100**	**5–100**
Plant and equipment		
– Furniture and fittings	10	10
– Computer equipment	3–4	3–4
– Field plant and scientific equipment	10–30	10–30
– Office machines and equipment	5	5
– IT infrastructure	4	4
Leasehold improvements	**5–15**	**5–15**
Leased vehicles*	**3***	**3***
Cultural assets	**20–100**	**20–100**

* Leased vehicles are depreciated on a straight-line basis to their residual value (cost less estimated projected market value) over the period of the lease – three years.

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

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

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).

Indefinite life assets: Land, which is considered to have an indefinite life, is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment: Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an 'other economic flow', except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Consolidated financial statements
Notes to the consolidated financial statements

5.1.2 Reconciliation of movements in carrying amount of property, plant and equipment
Classification by 'Transportation and Communications' purpose group – movements in carrying amounts

	Note	Land	Land under finance lease	Buildings	Leased building
		$'000	$'000	$'000	$'000
Consolidated					
Carrying amount at 30 June 2015		**494,322**	**–**	**506,471**	**–**
Additions		1,633	–	4,102	–
Disposals/expensed		–	–	–	–
Depreciation/amortisation expense	5.1.1	–	–	(13,452)	–
Assets provided as contributed capital		(504)	–	–	–
Assets received free of charge		–	–	–	–
Assets provided free of charge		–	–	–	–
Carrying amount at 30 June 2016		**495,451**	**–**	**497,121**	**–**
Additions		8,283	–	24,891	–
Disposals/expensed		–	–	–	–
Depreciation/amortisation expense	5.1.1	–	–	(13,800)	–
Assets provided as contributed capital	4.2	–	–	–	–
Assets received free of charge		–	–	–	–
Assets provided free of charge		–	–	–	–
Carrying amount at 30 June 2017		**503,734**	**–**	**508,213**	**–**
Parent					
Carrying amount at 30 June 2015		**494,322**	**–**	**506,471**	**–**
Additions		–	1,633	–	4,102
Disposals/expensed		–	–	–	–
Depreciation/amortisation expense	5.1.1	–	–	(13,424)	(28)
Assets provided as contributed capital		(504)	–	–	–
Assets received free of charge		–	–	–	–
Assets provided free of charge		–	–	–	–
Carrying amount at 30 June 2016		**493,818**	**1,633**	**493,047**	**4,074**
Additions		–	8,283	–	24,891
Disposals/expensed		–	–	–	–
Depreciation/amortisation expense	5.1.1	–	–	(13,433)	(366)
Assets provided as contributed capital	4.2	–	–	–	–
Assets received free of charge		–	–	–	–
Assets provided free of charge		–	–	–	–
Carrying amount at 30 June 2017		**493,818**	**9,916**	**479,614**	**28,599**

Infrastructure	Plant and equipment	Leasehold improvement	Vehicles	Leased Vehicles	Cultural assets	Assets under construction	Total
$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
259,282	**249**	**2,996**	**92,540**	**577**	**2,238**	**79,481**	**1,438,156**
6,172	8	–	6,274	333	–	868,068	886,590
–	–	–	(434)	(190)	–	(2,698)	(3,322)
(24,436)	(81)	(701)	(9,287)	(145)	(25)	–	(48,127)
–	–	–	–	–	–	(873,258)	(873,762)
715	–	–	–	–	–	–	715
–	–	–	–	(60)	–	–	(60)
241,733	**176**	**2,295**	**89,093**	**515**	**2,213**	**71,593**	**1,400,190**
5,399	–	–	3,094	300	–	636,775	678,743
–	–	–	–	(120)	–	–	(120)
(24,513)	(70)	(691)	(9,462)	(111)	(24)	–	(48,671)
–	–	–	–	–	–	(636,492)	(636,492)
478	–	–	–	–	–	–	478
–	–	–	–	(68)	–	–	(68)
223,096	**106**	**1,604**	**82,726**	**517**	**2,188**	**71,876**	**1,394,060**
259,282	**249**	**2,996**	**–**	**93,117**	**2,238**	**79,481**	**1,438,156**
6,172	8	–	–	6,607	–	868,068	886,590
–	–	–	–	(624)	–	(2,698)	(3,322)
(24,436)	(81)	(701)	–	(9,432)	(25)	–	(48,127)
–	–	–	–	–	–	(873,258)	(873,762)
715	–	–	–	–	–	–	715
–	–	–	–	(60)	–	–	(60)
241,733	**176**	**2,295**	**–**	**89,608**	**2,213**	**71,593**	**1,400,190**
5,399	–	–	–	3,395	–	636,775	678,743
–	–	–	–	(120)	–	–	(120)
(24,513)	(70)	(691)	–	(9,572)	(24)	–	(48,671)
–	–	–	–	–	–	(636,492)	(636,492)
478	–	–	–	–	–	–	478
–	–	–	–	(68)	–	–	(68)
223,096	**106**	**1,604**	**–**	**83,243**	**2,188**	**71,876**	**1,394,060**

Consolidated financial statements

Notes to the consolidated financial statements

5.2 Intangible assets

	Note	Capitalised software development		Work in progress (software)		Total	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Consolidated							
Gross carrying amount							
Opening balance		**8,726**	**8,726**	**5,801**	**5,353**	**14,527**	**14,079**
Additions		–	–	–	448	–	448
Assets provided as contributed capital		–	–	–	–	–	–
Closing balance		**8,726**	**8,726**	**5,801**	**5,801**	**14,527**	**14,527**
Accumulated amortisation and impairment							
Opening balance		**(8,553)**	**(7,416)**	**–**	**–**	**(8,553)**	**(7,416)**
Amortisation expense	5.1.1	(173)	(1,137)	–	–	(173)	(1,137)
Closing balance		**(8,726)**	**(8,553)**	**–**	**–**	**(8,726)**	**(8,553)**
Net book value at the end of the financial year		**–**	**173**	**5,801**	**5,801**	**5,801**	**5,974**
Parent							
Gross carrying amount							
Opening balance		**8,726**	**8,726**	**5,801**	**5,353**	**14,527**	**14,079**
Additions		–	–	–	448	–	448
Asset provided as contributed capital		–	–	–	–	–	–
Closing balance		**8,726**	**8,726**	**5,801**	**5,801**	**14,527**	**14,527**
Accumulated amortisation and impairment							
Opening balance		**(8,553)**	**(7,416)**	**–**	**–**	**(8,553)**	**(7,416)**
Amortisation expense	5.1.1	(173)	(1,137)	–	–	(173)	(1,137)
Closing balance		**(8,726)**	**(8,553)**	**–**	**–**	**(8,726)**	**(8,553)**
Net book value at the end of the financial year		**–**	**173**	**5,801**	**5,801**	**5,801**	**5,974**

Initial recognition

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB *138 Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An **internally generated intangible asset** arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) an intention to complete the intangible asset and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) the intangible asset will generate probable future economic benefits;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent measurement

Intangible produced assets with finite useful lives, are depreciated as an 'expense from transactions' on a straight line basis over their useful lives. Produced intangible assets have useful lives of between 3 and 5 years.

Impairment of intangible assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in section 5.1.1.

Consolidated financial statements
Notes to the consolidated financial statements

6. Other assets and liabilities

Introduction

This section sets out those assets and liabilities that arose from PTV's controlled operations

Structure

6.1 Receivables

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current receivables				
Contractual				
Amounts owing from government and agencies	25,487	20,830	25,487	20,830
Receivables [(i)]	11,693	14,429	11,693	14,429
Total contractual receivables	**37,180**	**35,259**	**37,180**	**35,259**
Statutory				
Amounts owing from DEDJTR – Grant Receivable[(ii)]	433,565	462,718	433,565	462,718
GST input tax credit recoverable from the ATO	26,964	32,832	26,964	32,832
Total statutory receivables	**460,529**	**495,550**	**460,529**	**495,550**
Total current receivables	**497,709**	**530,809**	**497,709**	**530,809**
Total receivables	**497,709**	**530,809**	**497,709**	**530,809**

(i) The average credit period on sales of goods is 30 days. No interest is charged on receivables.

(ii) The amounts recognised from DEDJTR represent funding for all commitments incurred.

Contractual receivables are classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Doubtful debts: Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Loans to third parties are repayable on demand. However, payment is not expected within 12 months after the reporting period and these balances are consequently classified as non-current.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

Consolidated financial statements
Notes to the consolidated financial statements

Ageing analysis of contractual financial assets(i)

			Maturity dates				
	Carrying amount	Not past due and not impaired	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	Impaired financial assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated							
2017							
Contractual financial assets							
Cash and deposits	35,128	35,128	–	–	–	–	–
Receivables							
Amounts owing from government and agencies	25,487	22,128	1,788	4	1,568	–	–
Receivables – current	11,693	10,839	570	–	283	–	–
Total contractual financial assets	**72,308**	**68,095**	**2,358**	**4**	**1,851**	**–**	**–**
2016							
Contractual financial assets							
Cash and deposits	24,960	24,960	–	–	–	–	–
Receivables							
Amounts owing from government and agencies	20,830	19,208	–	1,575	47	–	–
Receivables – current	14,429	13,901	1	176	351	–	–
Total contractual financial assets	**60,219**	**58,069**	**1**	**1,751**	**398**	**–**	**–**

	Carrying amount	Not past due and not impaired	Maturity dates: Less than 1 month	Maturity dates: 1 – 3 months	Maturity dates: 3 months – 1 year	Maturity dates: 1 – 5 years	Impaired financial assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Parent							
2017							
Contractual financial assets							
Cash and deposits	35,128	35,128	–	–	–	–	–
Receivables							
Amounts owing from government and agencies	25,487	22,128	1,788	4	1,568	–	–
Receivables – current	11,693	10,839	570	–	283	–	–
Total contractual financial assets	**72,308**	**68,095**	**2,358**	**4**	**1,851**	**–**	**–**
2016							
Contractual financial assets							
Cash and deposits	24,960	24,960	–	–	–	–	–
Receivables							
Amounts owing from government and agencies	20,836	19,208	–	1,575	47	–	–
Receivables – current	14,429	13,901	1	176	351	–	–
Total contractual financial assets	**60,219**	**58,069**	**1**	**1,751**	**398**	**–**	**–**

(i) The carrying amounts disclosed here exclude statutory amounts (e.g. amount owing from Victorian Government and GST input tax credit recoverable).

The average credit period for sales of goods, services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired. Currently PTV does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

Consolidated financial statements
Notes to the consolidated financial statements

6.2 Payables

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current payables				
Contractual				
Supplies and services(i)	471,213	575,872	471,213	575,872
Amounts payable to government and agencies	7,531	9,451	7,531	9,451
Total payables	**478,744**	**585,323**	**478,744**	**585,323**

(i) The average credit period is 30 days, a period in which no interest is charged.

Payables consist of:

- **contractual payables**, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to PTV prior to the end of the financial year that are unpaid; and
- **statutory payables**, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

Maturity analysis of contractual financial liabilities[(i)]

	Carrying amount	Nominal amount	Maturity dates: Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated							
2017							
Contractual financial liabilities							
Payables[(ii)]							
Supplies and services	471,213	471,213	471,199	14	–	–	–
Amounts payable to government and agencies	7,531	7,531	7,531	–	–	–	–
Total contractual financial liabilities	**478,744**	**478,744**	**478,730**	**14**	**–**	**–**	**–**
2016							
Contractual financial liabilities							
Payables[(ii)]							
Supplies and services	575,872	575,872	575,822	50	–	–	–
Amounts payable to government and agencies	9,451	9,451	9,449	2	–	–	–
Total contractual financial liabilities	**585,323**	**585,323**	**585,271**	**52**	**–**	**–**	**–**
Parent							
2017							
Contractual financial liabilities							
Payables[(ii)]							
Supplies and services	471,213	471,213	471,199	14	–	–	–
Amounts payable to government and agencies	7,531	7,531	7,531	–	–	–	–
Total contractual financial liabilities	**478,744**	**478,744**	**478,730**	**14**	**–**	**–**	**–**
2016							
Contractual financial liabilities							
Payables[(ii)]							
Supplies and services	575,872	575,872	575,822	50	–	–	–
Amounts payable to government and agencies	9,451	9,451	9,449	2	–	–	–
Total contractual financial liabilities	**585,323**	**585,323**	**585,271**	**52**	**–**	**–**	**–**

(i) Maturity analysis is presented using the contractual undiscounted cash flows.
(ii) The amount in payables disclosed excludes statutory payables (i.e. GST output tax payable).

Consolidated financial statements
Notes to the consolidated financial statements

6.3 Inventories

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current inventories				
Card inventories held for sale – at cost	25,403	37,866	25,403	37,866
Total inventories	**25,403**	**37,866**	**25,403**	**37,866**

Inventories are for consumption in the ordinary course of business operations.

Inventories are measured at the lower of cost and net realisable value.

Cost, includes an appropriate portion of fixed and variable overhead expenses. Cost is assigned to high value, low volume inventory items on a specific identification of cost basis. Cost for all other inventory is measured on the basis of weighted average cost.

Basis used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

6.4 Other non-financial assets

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current other assets				
Prepayments	355	507	355	507
Total other assets	**355**	**507**	**355**	**507**

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.

6.5 Other provisions

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Other provisions				
Non-current provision for train replacement	10,173	10,173	10,173	10,173
Total provisions	**10,173**	**10,173**	**10,173**	**10,173**

Other provisions are recognised when PTV has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time, value of money and risks specific to the provision.

Reconciliation of movement in other provisions

	Train replacement
	$'000
Consolidated	
Opening balance at 30 June 2016	**10,173**
Additional provisions recognised	–
Reductions arising from payments/other sacrifices of future economic benefits	–
Unwinding of discount and effect of changes in the discount rate	–
Closing balance at 30 June 2017	**10,173**
Current	–
Non-current	10,173
Parent	
Opening balance at 30 June 2016	**10,173**
Additional provisions recognised	–
Reductions arising from payments/other sacrifices of future economic benefits	–
Unwinding of discount and effect of changes in the discount rate	–
Closing balance at 30 June 2017	**10,173**
Current	–
Non-current	10,173

Consolidated financial statements
Notes to the consolidated financial statements

7. How we financed operations

Introduction

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

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 8.1 and 8.3 provide additional, specific financial instrument disclosures.

Structure

Page

7.1 Borrowings

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current borrowings				
Advances from government[(i)]	9,235	11,097	9,235	11,097
Loan	8,983	8,707	–	–
Motor vehicle & bus depot finance lease liabilities[(ii)]	220	166	9,203	8,873
Southern Cross Station Transport Interchange Facility finance lease liabilities	2,740	1,704	2,740	1,704
Total current borrowings	**21,178**	**21,674**	**21,178**	**21,674**
Non-current borrowings				
Advances from government[(i)]	9,903	19,137	9,903	19,137
Loan	116,049	89,870	–	–
Motor vehicle & bus depot finance lease liabilities[(ii)]	301	353	116,351	90,223
Southern Cross Station Transport Interchange Facility finance lease liabilities	372,483	375,223	372,483	375,223
Total non-current borrowings	**498,736**	**484,583**	**498,736**	**484,583**
Total borrowings	**519,914**	**506,257**	**519,914**	**506,257**

(i) These are unsecured loans which bear no interest. The term of a loan is generally agreed by the Minister at the time the advance was provided.

(ii) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

'Borrowings' refer to non-interest bearing liabilities from the Victorian Government, interest bearing liabilities from financial lease arrangements.

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether PTV has categorised its interest bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest bearing liabilities. PTV determines the classification of its interest bearing liabilities at initial recognition.

Defaults and breaches: during the current and prior year, there were no defaults and breaches of any of the loans.

Maturity analysis of borrowings(i)

			Maturity dates				
	Carrying amount	Nominal amount	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated							
2017							
Borrowings							
Loan	125,032	180,113	1,647	3,240	14,372	67,983	92,871
Finance lease liabilities – motor vehicles	521	545	49	21	163	312	–
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	375,223	786,105	–	8,698	26,418	149,464	601,526
Total	**500,776**	**966,764**	**1,696**	**11,960**	**40,953**	**217,758**	**694,397**
2016							
Borrowings							
Loan	98,577	99,858	1,463	2,778	12,170	58,984	24,463
Finance lease liabilities – motor vehicles	519	548	78	19	85	366	–
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	376,927	820,365	–	8,486	25,774	145,818	640,287
Total	**476,023**	**920,771**	**1,541**	**11,283**	**38,029**	**205,168**	**664,750**
Parent							
2017							
Borrowings							
Finance lease liabilities – motor vehicles	125,553	180,658	1,696	3,262	14,535	68,294	92,871
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	375,223	786,105	–	8,698	26,418	149,464	601,526

Consolidated financial statements
Notes to the consolidated financial statements

			Maturity dates				
	Carrying amount	Nominal amount	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total	**500,776**	**966,764**	**1,696**	**11,960**	**40,953**	**217,758**	**694,397**
2016							
Borrowings							
Finance lease liabilities – motor vehicles	99,096	100,406	1,541	2,797	12,255	59,350	24,463
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	376,927	820,365	–	8,486	25,774	145,818	640,287
Total	**476,023**	**920,771**	**1,541**	**11,283**	**38,029**	**205,168**	**664,750**

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

Interest expenses

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interest on loan	8,193	6,397	–	–
Interest on finance leases(i)	32,559	32,659	40,752	39,056
Total interest expenses	**40,752**	**39,056**	**40,752**	**39,056**

(i) Of the balance in interest on finance leases, $32,556,000 (2016: $32,652,000) related to Southern Cross Station contracted under the Public Private Partnership (PPP) arrangement.

'Interest expense' includes costs incurred in connection with the borrowing of funds and includes interest on short term and long term borrowings and interest component of finance leases repayments.

Interest expense is recognised in the period in which it is incurred.

PTV recognises borrowing costs immediately as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset.

7.2 Leases

7.2.1 Finance lease liabilities (PTV as lessee)

	Minimum future lease payments (i)				Present value of minimum future lease payments			
	Consolidated		Parent		Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Commissioned PPP related finance lease liabilities payable								
Not longer than one year	35,116	34,259	35,116	34,259	2,740	1,704	2,740	1,704
Longer than one year and not longer than five years	149,464	145,819	149,464	145,819	23,791	18,384	23,791	18,384
Longer than five years	601,526	640,287	601,526	640,287	348,692	356,839	348,692	356,839
Other finance lease liabilities payable(ii)								
Not longer than one year	233	182	19,471	17,049	220	166	9,201	8,873
Longer than one year and not longer than five years	312	365	67,695	60,571	301	353	37,505	37,615
Longer than five years	–	–	85,650	60,906	–	–	78,846	52,608
Minimum future lease payments	**786,650**	**820,912**	**958,922**	**958,891**	**375,744**	**377,446**	**500,776**	**476,023**
Less future finance charges	(410,906)	(443,466)	(458,146)	(482,868)	–	–	–	–
Present value of minimum lease payments	**375,744**	**377,446**	**500,776**	**476,023**	**375,744**	**377,446**	**500,776**	**476,023**
Included in the financial statements as:								
Current borrowings					**2,960**	**1,870**	**11,942**	**10,577**
Non-current borrowings					**372,784**	**375,576**	**488,834**	**465,446**
Total interest bearing liabilities					**375,744**	**377,446**	**500,776**	**476,023**

(i) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

(ii) Other finance lease liabilities include obligations that are recognised on the balance sheet; the future payments related to operating lease commitments are disclosed in Note 7.4.

Consolidated financial statements
Notes to the consolidated financial statements

Leasing arrangements – Commissioned Public Private Partnership

The Services and Development Agreement for the redevelopment of Southern Cross Station with Civic Nexus Pty Ltd (CNPL) as disclosed in Note 7.4.2 is deemed a finance lease as it effectively transfers the risks and benefits incidental to ownership of the leased assets to the State. Please refer to Note 7.4.2 for details.

Up to the last quarter of 2014, the actual cash payments to CNPL were less than the deemed finance lease interest expense. The finance lease liability increased to approximately $378 million at the last quarter of 2014 when the cash payments overtook the value of the finance lease interest. After the last quarter of 2014, the actual cash payments to CNPL are more than the deemed finance lease interest expense.

Other finance lease liabilities

The other finance leases entered into by PTV relate to buses with a lease term of the same duration as the franchise term of seven years with an option to extend for a further 3 years; and motor vehicles with lease terms of three years or 60,000 kilometres, whichever occurs first.

Franchise Asset Holdings as lessor

Amount due from PTV as lessee under finance lease is recorded as receivable. Finance lease receivable is initially recorded at amount equal to the present value of the minimum lease payments receivable. Finance lease receipts are apportioned between periodic interest income and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

In preparing the consolidated balance sheet, finance lease receivable and payable between the consolidated entities are eliminated.

7.3 Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand, cash at bank, and call and term deposits with the Treasury Corporation of Victoria.

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash and bank deposits	24,915	12,747	24,915	12,747
Deposits with Treasury Corporation of Victoria	10,213	12,213	10,213	12,213
Balance as per cash flow statement	**35,128**	**24,960**	**35,128**	**24,960**

7.3.1 Reconciliation of net result for the period to cash flow from operating activities

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net comprehensive result for the reporting period	**(34,448)**	**(54,863)**	**(34,448)**	**(54,863)**
Non-cash movements				
Loss on disposal of non-financial assets	54	304	54	304
Depreciation and amortisation of non-financial assets	48,845	49,264	48,845	49,264
Net fair value of assets and services received and provided free of charge	(25,301)	(32,615)	(25,301)	(32,615)
Revaluation of long service leave liabilities due to changes in bond rates	(223)	377	(223)	377
Changes in fair value of foreign currency forward contracts	(241)	241	(241)	241
Movements in assets and liabilities				
(Increase)/decrease in receivables	33,211	36,568	33,211	36,568
(Increase)/decrease in prepayments	152	513	152	513
(Increase)/decrease in inventories	12,463	(31,771)	12,463	(31,771)
Increase/(decrease) in payables	24,897	32,988	24,897	32,988
Increase/(decrease) in provisions	16,907	21,862	16,907	21,862
Net cash flows from/(used in) operating activities	**76,314**	**22,868**	**76,314**	**22,868**

7.3.2 Non-Cash financing and investing activities

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Acquisition of property, plant and equipment by means of finance leases	300	333	36,569	12,342
Total Non-cash financing and investing activities	**300**	**333**	**36,569**	**12,342**

Consolidated financial statements
Notes to the consolidated financial statements

7.4 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

7.4.1 Total commitments payable[(i)]

	Consolidated		Parent	
	2017 $'000 Nominal value	2016 $'000 Nominal value	2017 $'000 Nominal value	2016 $'000 Nominal value
Rail service commitments payable				
Less than 1 year	717,958	1,358,532	717,958	1,358,532
Longer than 1 year but not longer than 5 years	203,505	753,582	203,505	753,582
5 years or more	43,690	52,491	43,690	52,491
Total rail service commitments	**965,153**	**2,164,605**	**965,153**	**2,164,605**
Bus service commitments payable				
Less than 1 year	1,147,980	1,128,567	1,147,980	1,128,567
Longer than 1 year but not longer than 5 years	815,942	1,987,591	815,942	1,987,591
5 years or more	–	–	–	–
Total bus service commitments	**1,963,922**	**3,116,158**	**1,963,922**	**3,116,158**
Ticketing and call centre service commitments payable				
Less than 1 year	105,528	50,427	105,528	50,427
Longer than 1 year but not longer than 5 years	455,049	18,779	455,049	18,779
5 years or more	167,264	–	167,264	–
Total ticketing and call centre service commitments	**727,841**	**69,206**	**727,841**	**69,206**
Operating lease commitments payable[(ii)]				
Less than 1 year	10,933	10,433	10,933	10,433
Longer than 1 year but not longer than 5 years	16,089	26,680	16,089	26,680
5 years or more	1,351	1,434	1,351	1,434
Total operating lease commitments	**28,372**	**38,547**	**28,372**	**38,547**

	Consolidated		Parent	
	2017 $'000 Nominal value	2016 $'000 Nominal value	2017 $'000 Nominal value	2016 $'000 Nominal value
Capital expenditure commitments payable				
Less than 1 year	555,361	524,077	555,361	524,077
Longer than 1 year but not longer than 5 years	501,133	515,250	501,133	515,250
5 years or more	16,652	–	16,652	–
Total capital expenditure commitments	**1,073,146**	**1,039,327**	**1,073,146**	**1,039,327**
PPP operation and maintenance commitments				
Minimum lease payments for non-cancellable leases payable				
Less than 1 year	24,685	23,272	24,685	23,272
Longer than 1 year but not longer than 5 years	101,648	96,256	101,648	96,256
5 years or more	448,008	475,136	448,008	475,136
Total lease commitments	**574,341**	**594,664**	**574,341**	**594,664**
Total commitments				
Total commitments (inclusive of GST)	**5,332,776**	**7,022,507**	**5,332,775**	**7,022,507**
Less: GST recoverable from the Australian Tax Office	(484,798)	(638,410)	(484,798)	(638,410)
Total commitments (exclusive of GST)	**4,847,978**	**6,384,097**	**4,847,978**	**6,384,097**

(i) For future finance lease and non-cancellable operating lease payments that are recognised on the balance sheet, refer to Note 7.2 Leases.

(ii) Operating lease commitments relate to office and retail facilities with lease terms between one and seven years. These contracts do not allow PTV to purchase the facilities after the lease ends.

Consolidated financial statements
Notes to the consolidated financial statements

7.4.2 Southern Cross Station Public Private Partnership commitments[(i)]

On 2 July 2002 the Southern Cross Station Authority and Civic Nexus Pty Ltd (CNPL) entered into a Services and Development Agreement (SDA) for the redevelopment of Southern Cross Station (Station). Under the SDA, CNPL had to design, construct and commission the Station. Construction commenced in September 2002 and on 1 August 2006, CNPL was granted a 30 year lease over the Station and has an obligation to operate and maintain the Station, until the end of the 30 year period, at which time these rights and obligations will transfer back to the State.

Upon formation of PTV, the contract commitments to CNPL, as part of the Public Private Partnership (PPP) arrangement, were transferred from the Director of Public Transport to PTV. These commitments include operating and finance lease interest costs that extend until 30 June 2036.

PTV makes quarterly payments over a 30 year operating period which commenced on 27 April 2005. These future payments are subject to abatement in accordance with the terms and conditions of the SDA. The quarterly payments reimburse CNPL for the annual operating, maintenance and insurance costs. The Net Present Value (NPV) is calculated using a discount rate of 8.65 per cent (2016: 8.65 per cent) per annum and an inflation rate of 2.5 per cent (2016: 2.5 per cent) per annum or actual inflation, whichever is higher.

The nominal amounts for the operation and maintenance commitment below represents the charges payable under the SDA at the end of the reporting period.

	Consolidated				Parent			
	2017		2016		2017		2016	
Commissioned Public Private Partnership[(ii) (i i) (iv)]	Net present value $'000	Nominal value $'000	Net present value $'000	Nominal value $'000	Net present value $'000	Nominal value $'000	Net present value $'000	Nominal value $'000
Southern Cross Station operation and maintenance commitments	262,526	574,341	261,771	594,664	262,526	574,341	261,771	594,664
Total PPP operation and maintenance commitment	**262,526**	**574,341**	**261,771**	**594,664**	**262,526**	**574,341**	**261,771**	**594,664**

(i) The present values of the minimum lease payments for commissioned PPP are recognised on the balance sheet and are not disclosed as commitments.

(ii) The year on year increase in the nominal amounts of the commitments mainly reflects the additional operating and maintenance requirements, the payments made, and the impact of changes in estimates of future inflation rates.

(iii) The year on year increase in the present values of the commitments mainly reflects the additional operating and maintenance requirements, the payments made, the impact of changes in estimates of future inflation rates and the discounting period being one reporting period shorter.

(iv) Please note that the total commitments will not equal the sum of the minimum lease payments and other commitments because they are discounted, whereas total commitments are at nominal value.

7.4.3 Commitments other than Public Private Partnership[(i)]

	Consolidated		Parent	
	2017 $'000 Nominal value	2016 $'000 Nominal value	2017 $'000 Nominal value	2016 $'000 Nominal value
Rail service commitments				
Transport service provided by rail operators	965,153	2,164,605	965,153	2,164,605
Total rail service commitments	**965,153**	**2,164,605**	**965,153**	**2,164,605**
Bus service commitments				
Transport service provided by bus operators	1,963,922	3,116,158	1,963,922	3,116,158
Total bus service commitments	**1,963,922**	**3,116,158**	**1,963,922**	**3,116,158**
Ticketing and call centre service commitments				
Ticketing and call centre services provided by operators	727,841	69,206	727,841	69,206
Total ticketing and call centre service commitments	**727,841**	**69,206**	**727,841**	**69,206**
Operating lease commitments				
Office & Retail	28,372	38,547	28,372	38,547
Total operating lease commitments	**28,372**	**38,547**	**28,372**	**38,547**
Capital expenditure commitments				
Plant, equipment and vehicles	1,073,146	1,039,327	1,073,146	1,039,327
Total capital expenditure commitments	**1,073,146**	**1,039,327**	**1,073,146**	**1,039,327**
Total commitments other than Public Private Partnership	**4,758,435**	**6,427,843**	**4,758,435**	**6,427,843**

(i) Figures presented are inclusive of GST.

Consolidated financial statements

Notes to the consolidated financial statements

Rail and bus commitments

The Director of Public Transport and/or Secretary of the former Department of Transport entered into a number of contracts with private operators to provide Victoria's train, tram and bus services. The current contracts with Metro Trains Melbourne (MTM) and Yarra Trams commenced on 30 November 2009 and have an initial franchise period of eight years (with the possibility of a seven-year extension). Under the terms of these franchise contracts, the subsidies are provided for transport services and capital commitments. All of the contracts were transferred from the Director of Public Transport and/or Secretary to PTV on 2 April 2012.

The commitments with MTM and Yarra Trams have been calculated up to the end of the initial franchise period with the exception of the rolling stock lease payments for which PTV is legally committed beyond the initial franchise period.

Bus services are covered by long term service contracts established with the bus service operators. Commitments of the bus service contracts are determined from the service fees payable during the term of the service contracts.

V/Line rail services

V/Line rail services reverted to government control with a partnership arrangement established from 1 October 2003. A service agreement between PTV and V/Line extending the term of the franchise agreement to 30 June 2016 was signed on 13 November 2013. On 29 June 2017, the term of the service agreement was extended to 30 September 2017 .

Capital expenditure commitments

Capital expenditure commitments include contracts for capital projects relating to infrastructure and transport related projects separate and in addition to the commitments entered into through the partnership agreements (which include rolling stock and branding projects). These commitments have been signed prior to 30 June 2017 and have established a legal and binding obligation on PTV to make future payments.

Lease commitments

Lease commitments include contracts for office and retail accommodation.

Ticketing and call centre service commitments

The new myki ticketing system services contract commenced on 1 January 2017. The new contract will improve service delivery and meet customer demand by providing strong incentives to maximise the availability of the system for customer use, rapidly respond to system outages, reduce customer overcharging and focus on system presentation and throughput. In addition, the new contract will also allow for overall public transport growth by providing fixed pricing and the flexibility to implement changes to the ticketing system.

8. Risks, contingencies and valuation judgements

Introduction

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

Structure

8.1 Financial instruments specific disclosures

Introduction

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

Guarantees issued on behalf of PTV are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). PTV recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits.

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. PTV recognises certain debt securities in this category.

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

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

Consolidated financial statements

Notes to the consolidated financial statements

Impairment of financial assets: at the end of each reporting period, PTV assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

8.1.1 Financial instruments: Categorisation[(i)]

	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
	$'000	$'000	$'000
Consolidated			
2017			
Contractual financial assets			
Cash and deposits	35,128	–	35,128
Receivables			
Amounts owing from government and agencies	25,487	–	25,487
Receivables – current	11,693	–	11,693
Total contractual financial assets [(ii)]	**72,308**	**–**	**72,308**
Contractual financial liabilities			
Payables			
Supplies and services	–	471,213	471,213
Amounts payable to government and agencies	–	7,531	7,531
Borrowings			
Loan	–	125,032	125,032
Finance lease liabilities – motor vehicles	–	521	521
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	–	375,223	375,223
Total contractual financial liabilities[(iii) (iv)]	**–**	**979,520**	**979,520**
2016			
Contractual financial assets			
Cash and deposits	24,960	–	24,960
Receivables			
Amounts owing from government and agencies	20,830	–	20,830
Receivables – current	14,429	–	14,429
Total contractual financial assets [(ii)]	**60,219**	**–**	**60,219**

Consolidated financial statements
Notes to the consolidated financial statements

	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
	$'000	$'000	$'000
Contractual financial liabilities			
Payables			
Supplies and services	–	575,872	575,872
Amounts payable to government and agencies	–	9,451	9,451
Borrowings			
Loan	–	98,577	98,577
Finance lease liabilities – motor vehicles	–	519	519
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	–	376,927	376,927
Total contractual financial liabilities(iii) (iv)	**–**	**1,061,346**	**1,061,346**
Parent			
2017			
Contractual financial assets			
Cash and deposits	35,128	–	35,128
Receivables			
Amounts owing from government and agencies	25,487	–	25,487
Receivables – current	11,693	–	11,693
Total contractual financial assets(ii)	**72,308**	**–**	**72,308**
Contractual financial liabilities			
Payables			
Supplies and services	–	471,213	471,213
Amounts payable to government and agencies	–	7,531	7,531
Borrowings			
Finance lease liabilities – motor vehicles and bus depot	–	125,553	125,553
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	–	375,223	375,223
Total contractual financial liabilities(iii) (iv)	**–**	**979,520**	**979,520**

	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
	$'000	$'000	$'000
2016			
Contractual financial assets			
Cash and deposits	24,960	–	24,960
Receivables			
Amounts owing from government and agencies	20,830	–	20,830
Receivables – current	14,429	–	14,429
Total contractual financial assets(ii)	**60,219**	**–**	**60,219**
Contractual financial liabilities			
Payables			
Supplies and services	–	575,872	575,872
Amounts payable to government and agencies	–	9,451	9,451
Borrowings			
Finance lease liabilities – motor vehicles	–	99,096	99,096
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	–	376,927	376,927
Total contractual financial liabilities(iii) (iv)	**–**	**1,061,346**	**1,061,346**

(i) The amount disclosed represents the carrying amount for the reporting period.
(ii) The amount of receivables disclosed excludes statutory receivables (i.e. amounts owing from Victorian Government and GST input tax credit recoverable).
(iii) The amount of payables disclosed excludes statutory payables (i.e. GST output tax payable).
(iv) Refer to Note 7.1 for advances from government.

8.1.2 Financial instruments – Net holding on financial instruments by category

	Total interest expense			
	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Contractual financial liabilities				
Financial liabilities at amortised cost(i)	32,559	32,659	40,752	39,056
Total contractual financial liabilities	**32,559**	**32,659**	**40,752**	**39,056**

(i) Includes interest for Southern Cross Station Transport Interchange Facility.

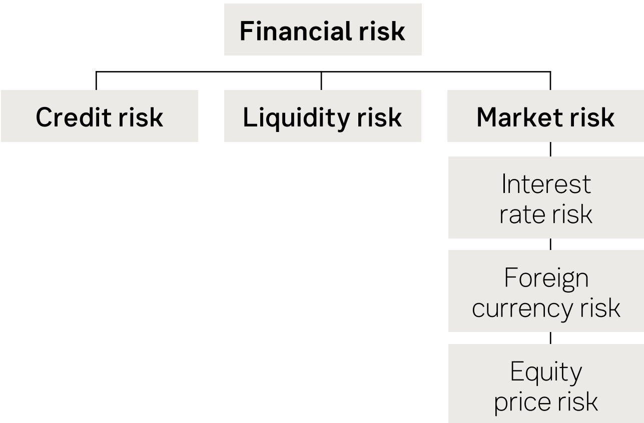
Consolidated financial statements

Notes to the consolidated financial statements

The net holding disclosed above are determined as follows:

- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

8.1.3 Financial risk management objectives and policies



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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 8.3 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage PTV's financial risks within the government policy parameters.

PTVs main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. PTV manages these financial risks in accordance with its financial risk management policy.

PTV uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Chief Executive Officer of the PTV.

Financial instruments: Credit risk

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

Credit risk associated with PTV's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is PTV's policy to only deal with entities with high credit ratings of a minimum triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

In addition, PTV does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, PTV's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that PTV will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 60 days overdue, and changes in debtor credit ratings.

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

There has been no material change to PTV's credit risk profile in 2016–17.

Credit quality of contractual financial assets that are neither past due nor impaired

	Government agencies (AAA credit rating)	Other (AA credit rating)	Other (not rated)	Total
	$'000	$'000	$'000	$'000
Consolidated				
2017				
Cash and deposits	10,213	24,911	4	35,128
Receivables				
Amounts owing from government and agencies	25,487	–	–	25,487
Receivables – current	–	–	11,693	11,693
Total contractual financial assets	**35,700**	**24,911**	**11,697**	**72,308**
2016				
Cash and deposits	12,216	12,744	–	24,960
Receivables				
Amounts owing from government and agencies	20,830	–	–	20,830
Receivables – current	–	–	14,429	14,429
Total contractual financial assets	**33,046**	**12,744**	**14,429**	**60,219**
Parent				
2017				
Cash and deposits	10,213	24,911	4	35,128
Receivables				
Amounts owing from government and agencies	25,487	–	–	25,487
Receivables – current	–	–	11,693	11,693
Total contractual financial assets	**35,700**	**24,911**	**11,697**	**72,308**
2016				
Cash and deposits	12,216	12,744	–	24,960
Receivables				
Amounts owing from government and agencies	20,830	–	–	20,830
Receivables – current	–	–	14,429	14,429
Total contractual financial assets	**33,046**	**12,744**	**14,429**	**60,219**

Consolidated financial statements
Notes to the consolidated financial statements

Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. PTV operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

PTV is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. PTV manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- holding investments and other contractual financial assets that are readily tradeable in the financial markets;
- careful maturity planning of its financial obligations based on forecasts of future cash flows; and
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard & Poor's triple-A, which assists in accessing debt market at a lower interest rate).

PTV's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments.

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial statements represents PTV's maximum exposure to liquidity risk.

Maturity analysis of contractual financial liabilities[(i)]

			Maturity dates				
	Carrying amount	Nominal amount	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated							
2017							
Contractual financial liabilities							
Payables[(ii)]							
Supplies and services	471,213	471,213	471,199	14	–	–	–
Amounts payable to government and agencies	7,531	7,531	7,531	–	–	–	–
	478,744	**478,744**	**478,730**	**14**	**–**	**–**	**–**
2016							
Contractual financial liabilities							
Payables[(ii)]							
Supplies and services	575,872	575,872	575,822	50	–	–	–
Amounts payable to government and agencies	9,451	9,451	9,449	2	–	–	–
	585,323	**585,323**	**585,271**	**52**	**–**	**–**	**–**
Parent							
2017							
Contractual financial liabilities							
Payables[(ii)]							
Supplies and services	471,213	471,213	471,199	14	–	–	–
Amounts payable to government and agencies	7,531	7,531	7,531	–	–	–	–
	478,744	**478,744**	**478,730**	**14**	**–**	**–**	**–**
2016							
Contractual financial liabilities							
Payables[(ii)]							
Supplies and services	575,872	575,872	575,822	50	–	–	–
Amounts payable to government and agencies	9,451	9,451	9,449	2	–	–	–
	585,323	**585,323**	**585,271**	**52**	**–**	**–**	**–**

(i) Maturity analysis is presented using the contractual undiscounted cash flows. Refer note 7.1 for maturity analysis on borrowing.

(ii) The amount in payables disclosed excludes statutory payables (i.e. GST output tax payable).

Consolidated financial statements

Notes to the consolidated financial statements

Financial instruments: Market risk

PTV's exposures to market risk are primarily through interest rate risk and foreign currency risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Sensitivity disclosure analysis and assumptions

PTV's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. PTV's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analysis shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 100 basis points up and down in market interest rates (AUD); and
- proportional exchange rate movement of 15 per cent down (2017: 15 per cent, depreciation of AUD) and 15 per cent up (2016: 15 per cent, appreciation of AUD) against the USD, from the year end rate of 0.80 (2016: 0.78).

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. PTV does not hold any interest bearing financial instruments that are measured at fair value, therefore has nil exposure to fair value interest rate risk.

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

PTV has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rate.

PTV manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate.

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

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in the following table.

Interest rate exposure of financial instruments

			Interest rate exposure		
	Weighted average effective interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
	%	$'000	$'000	$'000	$'000
Consolidated					
2017					
Contractual financial assets					
Cash and deposits	1.69%	35,128	10,213	24,911	4
Receivable					
Amounts owing from government and agencies		25,487	–	–	25,487
Receivables – current		11,693	–	–	11,693
		72,308	**10,213**	**24,911**	**37,184**
Contractual financial liabilities					
Payables					
Supplies and services		471,213	–	–	471,213
Amounts payable to government and agencies		7,531	–	–	7,531
Borrowings					
Loan	5.87%	125,032	125,032	–	–
Finance lease liabilities – motor vehicles	3.69%	521	521	–	–
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	8.65%	375,223	375,223	–	–
		979,520	**500,776**	**–**	**478,744**
2016					
Contractual financial assets					
Cash and deposits	2.01%	24,960	10,213	14,744	3
Receivable					
Amounts owing from government and agencies		20,830	–	–	20,830
Receivables – current		14,429	–	–	14,429
		60,219	**10,213**	**14,744**	**35,262**

Consolidated financial statements
Notes to the consolidated financial statements

	Weighted average effective interest rate	Carrying amount	Interest rate exposure: Fixed interest rate	Variable interest rate	Non-interest bearing
	%	$'000	$'000	$'000	$'000
Contractual financial liabilities					
Payables					
Supplies and services		575,872	–	–	575,872
Amounts payable to government and agencies		9,451	–	–	9,451
Borrowings					
Loan	6.29%	98,577	98,577	–	–
Finance lease liabilities – motor vehicles	4.75%	519	519	–	–
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	8.65%	376,927	376,927	–	–
		1,061,346	**476,023**	**–**	**585,323**

	Weighted average effective interest rate	Carrying amount	Interest rate exposure: Fixed interest rate	Variable interest rate	Non-interest bearing
Parent					
2017					
Contractual financial assets					
Cash and deposits	1.69%	35,128	10,213	24,911	4
Receivable					
Amounts owing from government and agencies		25,487	–	–	25,487
Receivables – current		11,693	–	–	11,693
		72,308	**10,213**	**24,911**	**37,184**
Contractual financial liabilities					
Payables					
Supplies and services		471,213	–	–	471,213
Amounts payable to government and agencies		7,531	–	–	7,531
Borrowings					
Finance lease liabilities – motor vehicles and bus depot	5.86%	125,553	125,553	–	–
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	8.65%	375,223	375,223	–	–
		979,520	**500,776**	**–**	**478,744**

	Weighted average effective interest rate	Carrying amount	Interest rate exposure: Fixed interest rate	Variable interest rate	Non-interest bearing
	%	$'000	$'000	$'000	$'000
2016					
Contractual financial assets					
Cash and deposits	2.01%	24,960	10,213	14,744	3
Receivable					
Amounts owing from government and agencies		20,830	–	–	20,830
Receivables – current		14,429	–	–	14,429
		60,219	**10,213**	**14,744**	**35,262**
Contractual financial liabilities					
Payables					
Supplies and services		575,872	–	–	575,872
Amounts payable to government and agencies		9,451	–	–	9,451
Borrowings					
Finance lease liabilities – motor vehicles	6.30%	99,096	99,096	–	–
Finance lease liabilities – Southern Cross Station Transport Interchange Facility	8.65%	376,927	376,927	–	–
		1,061,346	**476,023**	**–**	**585,323**

Interest rate sensitivity

Taking into account past performance, future expectations and economic forecasts, PTV believes that interest rate movements, a parallel shift of +1.0 per cent and -1.0 per cent in market interest rates from year-end rates, will not have a material impact on its financial position. PTV's management cannot be expected to predict movement in market rates and prices; sensitivity analysis shown is for illustrative purposes only.

The following table discloses the impact on PTV's net result and equity for each category of financial instrument held by PTV at year-end as presented to key management personnel, if the above movements were to occur.

Consolidated financial statements

Notes to the consolidated financial statements

		Interest rate			
		-100 basis points		+100 basis points	
	Carrying amount $'000	Net result $'000	Equity $'000	Net result $'000	Equity $'000
Consolidated					
2017					
Contractual financial assets					
Cash and deposits[(i)]	35,124	(351)	(351)	351	351
Total impact		**(351)**	**(351)**	**351**	**351**
2016[(ii)]					
Contractual financial assets					
Cash and deposits[(i)]	24,957	(250)	(250)	250	250
Total impact		**(250)**	**(250)**	**250**	**250**
Parent					
2017					
Contractual financial assets					
Cash and deposits[(i)]	35,124	(351)	(351)	351	351
Total impact		**(351)**	**(351)**	**351**	**351**
2016[(ii)]					
Contractual financial assets					
Cash and deposits[(i)]	24,957	(250)	(250)	250	250
Total impact		**(250)**	**(250)**	**250**	**250**

(i) Cash and deposits include deposits of $35,124 thousand (2016: $24,957 thousand) that is exposed to floating rate movements. Sensitivities to these movements are calculated as follows:

– 2017: $35,124 thousand x -0.01 = -$351 thousand; and $35,124 thousand x 0.01 = $351 thousand

– 2016: $24,957 thousand x -0.01 = -$250 thousand; and $24,957 thousand x 0.01 = $250 thousand

(ii) The 2016 numbers were reported on 200 basis points:

- 2016: $24,957 thousand x -0.02 = -$499 thousand; and $24,957, thousand x 0.02 = $499 thousand.

Foreign currency risk

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies, are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

PTV reimburses a service supplier in Australian dollars of the supplier's costs denominated in Swiss Franc and British Pound and is indirectly exposed to foreign currency risk through foreign exchange rate fluctuations.

In order to protect against exchange rate movements, during 2015–16 financial year PTV has entered into forward foreign exchange contracts with the Treasury Corporation of Victoria. These contracts are hedging highly probable forecasted cash flows for the term of the contract with the supplier. These contracts are now expired and no longer required.

The maturity, settlement amounts and the average contractual exchange rates of the outstanding forward foreign exchange contracts at 30 June 2017 are as follows:

	Sell Australian dollars				Average exchange rates			
	Consolidated		Parent		Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Buy Swiss Francs								
Maturity								
0–3 months	–	1,090	–	1,090	–	0.7215	–	0.7215
3–6 months	–	1,020	–	1,020	–	0.7156	–	0.7156
6–9 months	–	340	–	340	–	0.7116	–	0.7116
Total	**–**	**2,450**	**–**	**2,450**				
Buy British Pounds								
Maturity								
0–3 months	–	110	–	110	–	0.5495	–	0.5495
3–6 months	–	114	–	114	–	0.5473	–	0.5473
6–9 months	–	38	–	38	–	0.5458	–	0.5458
Total	**–**	**262**	**–**	**262**				

Consolidated financial statements
Notes to the consolidated financial statements

8.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more events not wholly within the control of the entity. These are classified as either quantifiable, where potential economic benefit is known, or non-quantifiable.

PTV is the lessor for three separate Commercial Development Leases (CDL) for developments around Southern Cross Station: the retail development known as Spencer Outlet Centre, the Mezzanine Car Park and the commercial office tower at 699 Bourke Street. It is expected a further CDL will be entered into in 2017–18 financial year for the commercial office tower at 664 Collins Street. The CDLs expire on 31 December 2100. The CDLs contain certain default provisions whereby PTV can terminate the CDLs. Upon termination or expiry the development and land would revert to PTV (2016: nil).

Contingent liabilities

Contingent Liabilities are:

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

Contingent liabilities are also classified as either quantifiable or non-quantifiable (2016: Nil).

Non-quantifiable contingent liabilities

Public transport rail partnership agreements

PTV is party to partnership contractual arrangements with franchisees to operate metropolitan rail transport services in the State, operative from 30 November 2009 until 30 November 2017. The following summarises the major contingent liabilities arising from the contractual arrangements in the event of early termination or expiry of the partnership contractual agreement, which are:

Partnership assets

To maintain continuity of services, at early termination or expiry of the franchise contract, assets will revert to PTV or a successor. In the case of some assets, a reversion back to PTV would entail those assets being purchased.

Unfunded Superannuation

At the early termination or expiry of the contract, PTV will assume any unfunded superannuation amounts (apart from contributions the operator is required to pay over the contract term) to the extent that the State becomes the successor operator.

Compulsory property acquisition to deliver transport projects

The State has compulsorily acquired a number of properties (residential and commercial) through the *Land Acquisition and Compensation Act 1986* to facilitate delivery of various transport projects. Possible future claims for compensation arising from the compulsory acquisition of these properties cannot be quantified at this stage.

Quantifiable contingent liabilities

Details and estimates of other contingent liabilities are as follows:

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Legal claims	–	5,000	–	5,000
Total	**–**	**5,000**	**–**	**5,000**

8.3 Fair value determination

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

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result;
- land, buildings, infrastructure, plant and equipment.

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

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

Fair value hierarchy

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

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

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

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

How this section is structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value);
- which level of the fair value hierarchy was used to determine the fair value; and
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
  - a reconciliation of the movements in fair values from the beginning of the year to the end; and
  - details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (see Note 8.3.1) and non-financial physical assets (see to Note 8.3.2).

8.3.1 Fair value determination of financial assets and liabilities

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

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

Consolidated financial statements
Notes to the consolidated financial statements

PTV currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2016–17 reporting period.

These financial instruments include:

Financial assets
Cash and deposits
Receivables
– Sale of goods and services – Accrued investment income – Other receivables
Investments and other contractual financial assets
Term deposits

Financial liabilities
Payables
– For supplies and services – Amounts payable to government and agencies – Other payables
Borrowings
NIL

Fair value of financial assets and liabilities

PTV considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

Consolidated financial statements
Notes to the consolidated financial statements

Reconciliation of Level 3 fair value

	Specialised land	Specialised buildings	Infrastructure
	$'000	$'000	$'000
Consolidated			
Opening balance as at 30 June 2015	**494,322**	**14,855**	**259,282**
Additions	1,633	4,102	6,172
Disposals/expensed	–	–	–
Assets received free of charge	–	–	715
Assets provided as contributed capital	(504)	–	–
Depreciation	–	(1,205)	(24,436)
Closing balance as at 30 June 2016	**495,451**	**17,752**	**241,733**
Additions	8,283	24,891	5,399
Disposals/expensed	–	–	–
Assets received free of charge	–	–	478
Assets provided as contributed capital	–	–	–
Depreciation	–	(1,538)	(24,513)
Closing balance as at 30 June 2017	**503,734**	**41,105**	**223,096**
Parent			
Opening balance as at 30 June 2015	**494,322**	**14,855**	**259,282**
Additions	–	–	6,172
Disposals/expensed	–	–	–
Assets received free of charge	–	–	715
Assets provided as contributed capital	(504)	–	–
Depreciation	–	(1,176)	(24,436)
Closing balance as at 30 June 2016	**493,818**	**13,679**	**241,733**
Additions	–	–	5,399
Disposals/expensed	–	–	–
Assets received free of charge	–	–	478
Assets provided as contributed capital	–	–	–
Depreciation	–	(1,172)	(24,513)
Closing balance as at 30 June 2017	**493,818**	**12,507**	**223,096**

Plant and equipment	Leasehold improvement	Vehicles	Cultural assets	Total
$'000	$'000	$'000	$'000	$'000
249	**2,996**	**92,540**	**2,238**	**866,482**
8	–	6,274	–	18,189
–	–	(434)	–	(434)
–	–	–	–	715
–	–	–	–	(504)
(81)	(701)	(9,287)	(25)	(35,735)
176	**2,295**	**89,093**	**2,213**	**848,713**
–	–	3,094	–	41,667
–	–	–	–	–
–	–	–	–	478
–	–	–	–	–
(70)	(691)	(9,462)	(24)	(36,299)
106	**1,604**	**82,726**	**2,189**	**854,559**
249	**2,996**	**–**	**2,238**	**773,942**
8	–	–	–	6,180
–	–	–	–	–
–	–	–	–	715
–	–	–	–	(504)
(81)	(701)	–	(25)	(26,419)
176	**2,295**	**–**	**2,213**	**753,914**
–	–	–	–	5,399
–	–	–	–	–
–	–	–	–	478
–	–	–	–	–
(70)	(691)	–	(24)	(26,471)
106	**1,604**	**–**	**2,189**	**733,319**

Consolidated financial statements

Notes to the consolidated financial statements

Description of significant unobservable inputs to Level 3 valuation for 2017 and 2016

Category	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community Service Obligation (CSO) adjustment
Specialised buildings	Depreciated replacement cost	Direct cost per square metre
		Useful life of specialised buildings
Infrastructure	Depreciated replacement cost	Cost per unit
		Useful life of the infrastructure
Plant and equipment	Depreciated replacement cost	Cost per unit
		Useful life of plant and equipment
Leasehold improvement	Depreciated replacement cost	Cost per unit
		Useful life of leasehold improvement
Vehicles	Depreciated replacement cost	Cost per unit
		Useful life of vehicles
Cultural assets	Depreciated replacement cost	Cost per unit
		Useful life of cultural assets

The above assets are held for their current service potential rather than to generate net cash inflows.

The significant unobservable inputs have remain unchanged from 2016.

AASB 2015–7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-profit Public Sector* Entities is early adopted.

8.3.2 Fair value determination: Non-financial physical assets

Fair value measurement hierarchy

	Carrying amount(i)				Fair value measurement at end of reporting period using Level 3(i)			
	Consolidated		Parent		Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Land at fair value								
Specialised land	503,734	495,451	493,818	493,818	503,734	495,451	493,818	493,818
Total land	**503,734**	**495,451**	**493,818**	**493,818**	**503,734**	**495,451**	**493,818**	**493,818**
Buildings at fair value								
Specialised buildings	41,105	17,752	12,507	13,679	41,105	17,752	12,507	13,679
Total buildings	**41,105**	**17,752**	**12,507**	**13,679**	**41,105**	**17,752**	**12,507**	**13,679**
Infrastructure at fair value								
Infrastructure at fair value	223,096	241,733	223,096	241,733	223,096	241,733	223,096	241,733
Total infrastructure	**223,096**	**241,733**	**223,096**	**241,733**	**223,096**	**241,733**	**223,096**	**241,733**
Plant and equipment at fair value								
Plant and equipment at fair value	106	176	106	176	106	176	106	176
Total plant and equipment	**106**	**176**	**106**	**176**	**106**	**176**	**106**	**176**
Leasehold improvement at fair value								
Leasehold improvement at fair value	1,604	2,295	1,604	2,295	1,604	2,295	1,604	2,295
Total leasehold improvement	**1,604**	**2,295**	**1,604**	**2,295**	**1,604**	**2,295**	**1,604**	**2,295**
Vehicles at fair value								
Vehicles at fair value	82,726	89,093	–	–	82,726	89,093	–	–
Total vehicles	**82,726**	**89,093**	**–**	**–**	**82,726**	**89,093**	**–**	**–**
Cultural assets at fair value								
Cultural assets at fair value	2,189	2,213	2,189	2,213	2,189	2,213	2,189	2,213
Total cultural assets	**2,189**	**2,213**	**2,189**	**2,213**	**2,189**	**2,213**	**2,189**	**2,213**
Net carrying amount of property, plant and equipment	**854,559**	**848,713**	**733,319**	**753,914**	**854,559**	**848,713**	**733,319**	**753,914**

(i) Assets that are subject to leasing transactions within the scope of AASB 117 *Leases* are not included. Please refer to note 8.3.1 for the fair value hierarchy. There have been no transfers between levels during the year (please refer to note 8.3.1 for the fair value hierarchy). Independent valuation was performed by the Valuer-General Victoria on property, plant and equipment as at 30 June 2015.

Consolidated financial statements
Notes to the consolidated financial statements

Specialised land and buildings

The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For specialised buildings, the depreciated cost method is used, adjusting for the associated depreciation. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

Infrastructure and cultural assets

Infrastructure and cultural assets are valued using the depreciated replacement cost method. As depreciation adjustments are considered as significant, unobservable inputs in nature, infrastructure and cultural assets are classified as Level 3 fair value measurements.

Vehicles

Vehicles are valued using the depreciated replacement cost method. PTV obtains control over buses under an arrangement with Transdev Melbourne Pty Ltd and Franchise Asset Holdings Pty Ltd. Depreciation rates of buses are agreed by the parties to the arrangement and the disposal of buses will be at their net book value. As a result, the fair value of vehicles approximates the depreciated replacement cost.

Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, the depreciated replacement cost method is used.

There were no changes in valuation techniques throughout the year to 30 June 2017 (2016: Nil).

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

9. Other disclosures

Introduction

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

Structure

9.1 Ex-gratia expenses[i]

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Compensation for early termination[ii]	81	–	81	–
Total[iii]	**81**	**–**	**81**	**–**

(i) Includes ex-gratia expenses for items that are greater than or equal to $5,000.

(ii) Compensation for early termination of the resignation notice period.

(iii) The total for ex-gratia expenses is also presented in 'Employee benefits in the comprehensive operating statement' of Note 3.1.2.

9.2 Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

– the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and

– reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

Consolidated financial statements

Notes to the consolidated financial statements

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net gain/(loss) on non financial assets				
Gross proceeds from sale of plant and equipment				
Leased vehicles	180	222	180	222
Total proceeds	**180**	**222**	**180**	**222**
Gross disposals of plant and equipment				
Leased vehicles	(234)	(526)	(234)	(526)
Total disposals of plant and equipment	**(234)**	**(526)**	**(234)**	**(526)**
Total net gain/(loss) on disposals of plant and equipment	**(54)**	**(304)**	**(54)**	**(304)**
Total net gain/(loss) on non-financial assets	**(54)**	**(304)**	**(54)**	**(304)**
Other gains/(losses) from other economic flows				
Net gain/(loss) arising from changes to bond rates in revaluation of long service leave liability	223	(377)	223	(377)
Total other gains/(losses) from other economic flows	**223**	**(377)**	**223**	**(377)**
Changes in fair value of foreign currency forward contracts				
Changes in fair value of forward contracts for hedging exposure to foreign currency risk	241	(241)	241	(241)
Total changes in fair value of foreign currency forward contracts	**241**	**(241)**	**241**	**(241)**

9.3 Responsible persons

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

Names

The persons who held the positions of Ministers, Directors of the Board and accountable officer in PTV are as follows:

Responsible Minister:

Hon Jacinta Allan MP, Minister for Public Transport
(1 July 2016 to 30 June 2017)

Directors of the Board:

Ms Patricia Faulkner – Chairman
(1 July 2016 to 11 April 2017)

Mr Douglas Bartley – Deputy Chairman
(1 July 2016 to 11 April 2017)

Ms Virginia Hickey
(1 July 2016 to 11 April 2017)

Mr Kevin Norris
(1 July 2016 to 11 April 2017)

Mr Tom Sargant
(1 July 2016 to 11 April 2017)

Accountable Officer:

Mr Jeroen Weimar – Acting Chief Executive Officer
(1 July 2016 to 30 September 2016)

Mr Jeroen Weimar – Chief Executive Officer
(1 October 2016 to 11 April 2017)

The *Transport Integration Amendment Act 2017* (Head, Transport for Victoria and Other Governance Reforms), which commenced in April 2017, amended the statutory charter of PTV. This included establishing the Chief Executive Officer of PTV as the Responsible Body and the Accountable Officer.

Mr Jeroen Weimar – Chief Executive Officer
(12 April 2017 to 30 June 2017)

Remuneration

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

The number of responsible persons whose remuneration from PTV was within the specified bands were as follows:

	Total remuneration	
	Consolidated	Parent
Income band	2017	2017
$30,000 – 39,999	1	1
$40,000 – 49,999	3	3
$90,000 – 99,999	1	1
$490,000 – $499,999	1	1
Total numbers	**6**	**6**
Total amount	**$753,564**	**$753,564**

Consolidated financial statements
Notes to the consolidated financial statements

9.4 Remuneration of executives

9.4.1 Remuneration of executives

The number of executive officers, other than minister and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and renegotiated and a number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on remuneration figures for the termination benefits category.

	Consolidated	Parent
Remuneration of executive officers (including key management personnel disclosed in (see Note 9.5))	2017 $'000	2017 $'000
Short-term employee benefits(i)	8,243	8,243
Post-employment benefits	675	675
Other long-term benefits	176	176
Termination benefits	414	414
Total remuneration(i)(ii)	**9,509**	**9,509**
Total number of executives	**54**	**54**
Total annualised employee equivalents(iii)	**35.25**	**35.25**

(i) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015–16 reporting period.

(ii) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (see Note 9.5).

(iii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

9.5 Related parties

PTV is a wholly owned and controlled entity of the State of Victoria.

Related parties of PTV include:

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

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

Significant transactions with government-related entities

During the 2016–17 financial year, PTV had the following material transactions with other government-related entities with value greater than $1 million (excl.GST):

- DEDJTR: PTV received from DEDJTR operating grants of $4.13 billion and capital grants of $705 million. PTV has a payable to DEDJTR of $1.4 million for the provision of financial and administrative services based on a service level agreement and a payable of $5.4 million for invoices relating to MR4. PTV also has a grant receivable from DEDJTR of $433 million and other receivables of $7.4 million.
- VicTrack: PTV transferred $626.9 million of assets to VicTrack, provided grants for capital asset charge of $1.85 billion, provided grants to cover the leased rolling stock repayment of $144 million and provided grants to cover various construction works relate to rail improvements. PTV also used the Myki system which are owned by VicTrack therefore PTV received a service provided free of charge of $55 million and PTV has a service provided free of charge to VicTrack for $30 million for the maintenance costs of the myki system.
- V/Line: PTV made $452 million in franchise payments to V/Line.
- Department of Health and Human Services (DHHS): PTV received from DHHS $154 million of concession revenue relating to fare concession provided for the aged pensioners and health card holders, of which $12.8 million is still a receivable.
- Department of Education and Training (DET): PTV received from DET $14 million of concession revenue relating to fare concession provided for students, of which $1.1 million is still a receivable.
- CenITex (an agency of DTF): PTV paid to CenITex $7 million for workplace and application hosting IT services.
- VMIA: PTV paid VMIA $11.3 million in rail insurance premium and $1.7 million for Myki asset insurance.
- Transport for Victoria: PTV transferred to Transport for Victoria $9.6 million of work-in-progress assets relating to the High Capacity Metro Trains project and $4.2 million of employee entitlements provisions and the equivalent cash to pay for the annual leave and long service leave liabilities for staff transferred to Transport for Victoria.
- MMRA: PTV has a receivable of $3.4 million from MMRA for cost reimbursements of apital expenditure paid on behalf of them.

Key management personnel (KMP)
disclosure consists of two periods for PTV:

Period 1 (1 July 2016 – 11 April 2017) includes the Portfolio Minister, the Hon. Jacinta Allan MP, the Acting Chief Executive Officer, Mr Jeroen Weimar, and the members of the Board.

Members of the Board:

- Chair - Ms Patricia Faulkner
- Deputy Chairman – Mr Douglas Bartley
- Ms Virginia Hickey
- Mr Kevin Norris
- Mr Tom Sargant

Period 2 (12 April 2017 – 30 June 2017) includes the Portfolio Minister, the Hon. Jacinta Allan MP, the Chief Executive Officer, Mr Jeroen Weimar, and members of the Senior Executive Board.

Members of the Senior Executive Board:

- Executive Director Corporate Services – Mr Dean Tillotson
- Executive Director Network Service Delivery – Ms Laura Lo Bianco-Smith and Mr Dean Purkis
- Executive Director Franchise Operator Management – Mr Alan Fedda
- Executive Director Customer Services – Ms Fiona Adamson (previously Ms Fiona Coull)
- Executive Director Network Integrity and Project Assurance – Mr Michael Chadwick
- Chief Financial Officer – Mr Fred Cilia

The compensation detailed below excludes the salaries and benefits of the Portfolio Minister. The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

	Consolidated	Parent
Compensation of key manangement personnel	2017 $'000	2017 $'000
Short-term employee benefits	1,066	1,066
Post-employment benefits	71	71
Other long-term benefits	16	16
Total(i)	**1,153**	**1,153**

(i) KMPs are also reported in the disclosure of remuneration of executive officers (see Note 9.4.1).

Consolidated financial statements

Notes to the consolidated financial statements

Transactions and balances with key management personnel and other related parties

Given the breadth and depth of Victorian Government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public for example stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with PTV, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

9.6 Remuneration of auditors

	Consolidated		Parent	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Victorian Auditor General's Office				
Audit or review of the financial statements	256	250	256	250
Other non-audit services[(i)]	–	–	–	–
Total remuneration of auditors	**256**	**250**	**256**	**250**

(i) The Victorian Auditor-General's Office has not provided PTV with any other paid services.

9.7 Fare and cardholder funds administration

For the year ended 30 June 2017, the total metropolitan and regional farebox revenue and non-farebox receipts (Money received by transport operators derived from the sale of goods or services other than NTS tickets including: locker hire, map sales and etc.) was $891,369,419 (2016: $835,386,338) of which $642,314,460 (2016: $600,651,924) was distributed from the myki ticketing system to V/Line and franchisees.

As at 30 June 2017, the following amounts were held in PTV managed bank accounts:

– for distribution to rail franchisees $12,018,629 (2016: $7,131,626)
– myki cardholder funds $110,747,759 (2016: $95,687,078)

PTV also receives and manages myki customer money balances. These balances come from various channels including ticketing machines, railway stations, retail outlets, the internet and the PTV Hubs. PTV performs the accounts receivable function for the ticketing system and administers the agreement with the contractor NTT DATA Payment Services Victoria to ensure cash collection services and payments via the banking system are managed effectively.

PTV manages the revenue audit function which focuses on reviewing and reporting on controls around farebox revenue collection and distribution processes within transport operators. Formal planned revenue audits are undertaken by PTV at metropolitan and V/Line train stations, as well as metropolitan and regional bus depots.

9.8 Subsequent events

The Minister for Public Transport has issued a Ministerial Direction to PTV in September 2016 to transfer a number of PTV roles and responsibilities to facilitate the establishment of Transport for Victoria.

Amongst other things, the Ministerial Direction directed PTV to transfer certain roles and responsibilities including planning and procurement strategy for rolling stock and as a result, various rolling stock supply contracts and projects were transferred to Transport for Victoria with effect from 1 August 2017, these contracts have a total commitments of $0.2 billion.

On 12 September 2017, Minister for Public Transport Jacinta Allan announced that Metro Trains Melbourne (MTM) and Keolis Downer (KDR) will operate Melbourne's train and tram networks for the next seven years. The new franchise period will begin on 30 November 2017. Under these contracts, the State has committed payments of $6.3 billion (with extension to 10 years period of $9.1 billion) to MTM and $2.7 billion (with extension to 10 years period of $3.6 billion) to KDR.

Other than the matters above, there are no events that have arisen since 30 June 2017 that have significantly affected or may significantly affect the operations, or results, or state of affairs of PTV.

9.9 Other accounting policies

Contributions by owners

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of PTV.

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Foreign currency balances / transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

Foreign currency translation differences are recognised in other economic flows in the consolidated comprehensive operating statement and accumulated in a separate component of equity, in the period in which they arise.

9.10 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises PTV of their applicability and early adoption where applicable. Please refer to the following table for the detailed list of the AASs issued but are not yet effective for the 2016–17 reporting period.

Consolidated financial statements
Notes to the consolidated financial statements

Standard/Interpretation	Summary
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.
AASB 2010–7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: – The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and – Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.
AASB 2014–1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.
AASB 2014–7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.
AASB 2014–5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when; – the entity's right to receive payment of the dividend is established; – it is probable that the economic benefits associated with the dividend will flow to the entity; and – the amount can be measured reliably.
AASB 2015–8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.
AASB 2016–3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: – A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; – For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and – For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).
AASB 2016–7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI).
1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018–19 reporting period in accordance with the transition requirements.
1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018–19 reporting period in accordance with the transition requirements.
1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019–20 reporting period.

Consolidated financial statements
Notes to the consolidated financial statements

Standard/Interpretation	Summary
AASB 2016–8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*	This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: – require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and – clarifies circumstances when a contract with a customer is within the scope of AASB 15.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.
AASB 2016–4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*	The standard amends AASB 136 *Impairment of Assets* to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.
AASB 1058 *Income of Not-for-Profit Entities*	This standard replaces AASB 1004 *Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.

Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
1 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.
1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors.
1 Jan 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 *Fair Value Measurement* is the same as the depreciated replacement cost concept under AASB 136.
1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016–17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The following is the only one relevant to PTV.

– AASB 2016–2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

Consolidated financial statements
Notes to the consolidated financial statements

9.11 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Administered item generally refers to a public sector agency lacking the capacity to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

Borrowings refers to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest bearing arrangements. Borrowings also include non-interest bearing advances from government that are acquired for policy purposes.

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Capital Asset Charge is levied on the written down value of controlled non current physical assets in a public sector agency's balance sheet which aims to: attribute to agency outputs the opportunity cost of capital used in service delivery; and provide incentives to agency to identify and dispose of underutilised or surplus assets in a timely manner.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Controlled item generally refers to the capacity of a public sector agency to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

Current grants are amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:

(a) a contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements in the report comprises:

(a) a balance sheet as at the end of the period;

(b) a comprehensive operating statement for the period;

(c) a statement of changes in equity for the period;

(d) a cash flow statement for the period;

(e) notes, comprising a summary of significant accounting policies and other explanatory information;

(f) comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of Financial Statements*; and

(g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

Grant expenses and other transfers are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on-passing are grants paid to one institutional sector (e.g. a State general government entity) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Leases are rights to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Net acquisition of non-financial assets (from transactions) are purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

Non-financial assets are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, plant and equipment, cultural and heritage assets and intangibles.

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movement in equity'. Refer also 'net result'.

Consolidated financial statements
Notes to the consolidated financial statements

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They includes changes in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

Payables includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Receivables includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of PTV.

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into 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. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

9.12 Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notions used in the tables is as follows:

..	zero, or rounded to zero
(xxx.x)	negative numbers
200x	year period
200x 0x	year period

The financial statements and notes are presented based on the illustration for a government department in the 2016–17 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of PTV's annual reports.


6018
6018
PT

Appendix

Disclosure index

The PTV Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of PTV's compliance with statutory disclosure requirements.

Ministerial Directions

Legislation	Requirement	Page
Ministerial Directions and Financial Reporting Directions		
FRD 24C	Reporting of office based environmental impacts	54–58
FRD 25C	Victorian Industry Participation Policy disclosures	48
FRD 29B	Workforce Data disclosures	42–44
SD 5.2	Specific requirements under Standing Direction 5.2	3, 6, 64
Compliance attestation and declaration		
SD 3.7.1	Attestation for compliance with Ministerial Standing Direction	59
SD 5.2.3	Declaration in report of operations	6
Financial statements		
Declaration		
SD 5.2.2	Declaration in financial statements	64
Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	72
SD 5.2.1(a)	Compliance with Ministerial Directions	64
SD 5.2.1(b)	Compliance with Model Financial Report	64–150
Other disclosures as required by FRDs in notes to the financial statements[(a)]		
FRD 9A	Departmental Disclosure of Administered Assets and Liabilities by Activity	82
FRD 11A	Disclosure of Ex gratia Expenses	137
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	139
FRD 103F	Non Financial Physical Assets	84
FRD 110A	Cash Flow Statements	69
FRD 112D	Defined Benefit Superannuation Obligations	80
Note: (a) References to FRDs have been removed from the Disclosure index if the specific FRDs do not contain requirements that are of the nature of disclosure.		
Legislation		
Freedom of Information Act 1982		51–52
Building Act 1993		53
Protected Disclosure Act 2012		51
Victorian Industry Participation Policy Act 2003		48
Financial Management Act 1994		3, 28, 58, 64, 72, 139
Transport Integration Act 2010		10, 71

Contact

Public Transport Victoria
750 Collins Street
Docklands Victoria 3008
Australia

Online:
ptv.vic.gov.au

Telephone:
1800 800 007

International:
+61 3 9662 2505

Postal address:
PO Box 4724
Melbourne Victoria 3001

For more information visit **ptv.vic.gov.au** or call **1800 800 007**.

For people who are deaf, or have a hearing or speech impairment, contact us through the National Relay Service. TTY users can call **9619 2727**.

For other languages visit **ptv.vic.gov.au/languages** or call **9321 5450**.

PTVH2631/17. Authorised by Public Transport Victoria, 750 Collins Street, Docklands.