



2019-20 ANNUAL REPORT



VISION

TASMANIA'S TRUSTED
PROVIDER OF SAFE
AND DEPENDABLE RAIL
LOGISTICS SOLUTIONS

SAFETY

We will never compromise on safety. We recognise that people need mental and physical health to thrive.

INTEGRITY

We do what we say we will do.
We are fair, ethical, and honest
and we take responsibility.

BEING REMARKABLE

We are passionate about our success. We continually strive for excellence and performance. We will make a difference and be remarkable!

RESPECT

We are inclusive and value each other's differences and ideas. We embrace diversity.

PURPOSE

MAXIMISING THE BENEFITS OF
SUSTAINABLE RAIL LOGISTICS
SERVICES FOR TASMANIA

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CHAIRMAN'S REMARKS

The COVID-19 pandemic looms large in our minds as we reflect on the 2019-20 year. Certainly, it has tested TasRail.

As an 'essential service', TasRail moved quickly to establish protocols to keep staff, customers and community members safe.

This enabled us to continue providing around 100 freight services per week, helping to keep supermarket shelves stocked and our economically important export industries going.

Those same COVID-safe protocols have also allowed us to continue our significant capital program, which is being delivered on time and on budget. This has been vital not only for long-term business sustainability, but also to ensure employment for our civil contractors across regional Tasmania.

Like most businesses across the nation, our 2019-20 financial results were impacted by the sharp contraction in economic activity and corresponding reduction in freight revenue. Tasmania's economy is export orientated, and 87 per cent of TasRail's freight task is destined for interstate and international markets. As we look to the coming year, we expect subdued trading conditions to continue with significant downside risk for TasRail and our customers.

Our enduring partnership with the Tasmanian civil construction sector continued to deliver a much-enhanced rail network for Tasmanian industry in 2019-20. Priority projects included installation of 25,000 metres of new rail and 10,700 new sleepers. These upgrades addressed potential single points of failure, such as the Rhyndaston Tunnel in the south of the state and coastal erosion sites on the north-west coast. This work pushes TasRail forward in its journey to materially improve safety and reliability. Derailments and temporary speed restrictions are down from their prior highs by 80 and 53 per cent, respectively.

With an eye to the longer term, TasRail has completed the groundwork for a new shiploader. Owned and operated by TasRail, the current infrastructure is over 50 years old. Tasmania's only open access bulk minerals shiploader connects the west coast road and rail network to bulk

export ships at the Port of Burnie. Construction of the new shiploader, funded by the Australian Government, will start in 2020-21 and take about two years. I'd like to acknowledge the support of all levels of government, the mining industry and TasPorts in bringing this long-awaited project to reality.

As a State-Owned Company, TasRail is aware of its role in the Tasmanian community and economy during the pandemic. At the practical level we reorientated our approach to creditors and moved to paying their accounts weekly. Our aim was to support the local companies that are our long-term and trusted suppliers. Likewise, we are acutely aware of the economic difficulty facing many Tasmanians, and in this context were pleased to accept a proposal from our executive to forgo staff performance bonuses for the financial year just completed, despite individual performances that, in line with policy, would have otherwise been rewarded.

While challenged by the COVID-19 pandemic, we are confident that TasRail is well positioned as an integral part of the Tasmanian economy and export industry supply chains. In this regard much credit must go to those who came before us and established TasRail's sound foundation.

In particular, I acknowledge Samantha Hogg who retired from the Board in December 2019, having been a Director since August 2015 and the Chairman since December 2017. Sam's time on the Board was pivotal in establishing our current positive trajectory. On behalf of the Board, I thank Sam for her contribution and wish her the best in the future.

We welcome our incoming director, Alison Chan. Alison is a finance professional with twenty years' experience in banking and corporate governance. She has a strong interest working with government and industry to facilitate sustainable investment.

Finally, I would like to acknowledge my fellow directors for their hard work and valuable support, and CEO Steven Dietrich and the entire TasRail team for their determination to keep serving Tasmanian industry to the highest standard, despite the challenges of 2019-20. The Board is most grateful for their commitment to TasRail and its values. We will continue to manage the business prudently and invest in our people and assets, readying ourselves to serve Tasmanian industry long into the future.



STEPHEN CANTWELL

BOARD OF DIRECTORS



STEPHEN CANTWELL (CHAIRMAN)

Stephen Cantwell was appointed to the TasRail Board in November 2016, becoming Chair in January 2020. He has more than 40 years' experience in a broad range of operational, strategic and customer-facing roles in the Australian rail and heavy manufacturing sectors. In addition to a number of other board roles, Stephen continues to work with a range of global corporations and governments to advise in the areas of transport, logistics and infrastructure. He is a Fellow of the Chartered Institute of Transport and Logistics, Fellow Centre for Integrated Engineering Asset Management, and a Graduate Member of the AICD.



ALISON CHAN

Alison Chan was appointed to the TasRail Board in February 2020. She is an award-winning governance and finance professional with 20 years' experience in the industry. Alison has held banking and finance executive roles in Sydney and London. She is currently employed in the Australian banking industry, where her expertise lies in working with industry and governments looking to invest in sustainability. Alison has been a trustee of Alexandra Rose Charity and the Dunhill Medical Trust. She is also a member of the International Capital Markets Association's Green Bond Principles and Social Bond Principles Advisory Council and its Climate Transition Finance Working Group.



IAN DOBBS

Ian Dobbs was appointed to the TasRail Board in July 2017. He worked in a range of operational management roles in the UK rail industry, before leading the Victorian Transport reform program, managing a number of the UK's private rail franchises, and being appointed Chairman and CEO of Public Transport Victoria, a position he retired from in 2015. Ian holds a number of private and public sector board appointments in the transport sector and is currently Deputy President and Member of Executive Board, International Association of Public Transport (UITP) Brussels and Chairman of UITP's Australian/New Zealand Board.



JANINE HEALEY

Janine Healey was appointed to the TasRail Board in July 2017. She is a Chartered Accountant with more than 30 years' experience in the industry. She is a former director of Hydro Tasmania, Port of Launceston Pty Ltd and the Inveresk Railyard Management Authority. Janine is currently Divisional President of the AICD, Treasurer and Board Member of the Launceston Chamber of Commerce, Board Member of Football Tasmania and Treasurer of the Tamar Community Peace Trust. She is a Fellow of the AICD and the Institute of Chartered Accountants and a Chartered Tax Adviser.



PHILIP MUSSARED

Philip Mussared was appointed to the TasRail Board in December 2017. He has held senior positions in the Commonwealth, NSW, and Tasmanian public sectors, most recently as Chief Executive Officer of the Retirement Benefits Fund. Philip was a Director of Hobart International Airport Pty Ltd until December 2019 and is currently a Director of the National Trust (Tas.), Chair of the Tasmanian Traineeships and Apprentices Committee, Vice President of the Australian Risk Policy Institute, Associate Director of TFG International Pty Ltd and a member of the Tasmanian Heritage Council. He is a Fellow of the AICD and CPA Australia and the Institute of Public Administration Australia.

CEO'S REMARKS

What a remarkable difference a year can make.

At TasRail's 10th birthday celebrations in December 2019, no-one could have predicted the six months that lay ahead for TasRail and the industries it serves, which have had their businesses reshaped by the COVID-19 pandemic.

TasRail forms a critical part of Tasmania's export supply chain, with approximately 87 per cent of TasRail's freight task ultimately exported interstate and overseas. Like the Tasmanian economy, TasRail's freight task and revenue were directly impacted by the strong contraction in the domestic and international economy. Likewise, challenging operational conditions on Bass Strait put downward pressure on rail freight. Bass Strait shipping services have normalised; however, TasRail expects subdued trading conditions to persist across several of our customer sectors throughout 2020-21 due to the pandemic.

These circumstances and incident costs resulted in TasRail not meeting its financial targets in 2019-20. The reported financial result was impacted by a number of one-off financial adjustments, such as asset revaluations, inventory write-offs and insurance claims. After excluding the one-off accounting treatments, there was a deterioration in TasRail's underlying trading position, missing the internal consolidated profit target by \$2.7 million.

To keep our teams and customers safe, we have implemented best-practice hygiene and physical distancing measures; we set in place working from home, and split-shift operations in our maintenance workshops. Our steadfast focus is on being Tasmania's trusted provider of safe and dependable rail logistics solutions, and we are ready to grow with industry as the economy recovers.

An industry standout in 2019-20 has been TasRail's burgeoning relationship with the forestry sector, which values the safety, reliability, efficiency and environmental benefits inherent in rail supply chains. The 42 per cent increase in net tonne kilometres (NTK) hauled for the forestry industry was in part enabled by the construction of rail infrastructure at Bell Bay and the reconstruction of the Parattah Log Siding.

TasRail's resolve to provide a Zero Harm environment for staff, customers, contractors and communities remains absolute. The entire team is proud of our reputation for safe service delivery – a reputation that will continue to stand TasRail in good stead in an increasingly risk-focused business environment. Railway networks travel through areas close to communities, and TasRail is responsible for ensuring people maintain a safe distance from the rail corridor. We use opportunities such as Rail Safety Week to reinforce this important message.

As at 30 June 2020, it had been 152 days since a TasRail employee suffered a lost-time injury (LTI), and a record 1,158 days since a TasRail contractor experienced an LTI. Likewise, mainline derailments continue to be well below historic levels. TasRail reported one mainline derailment early in 2019-20, when a northbound train experienced a very minor derailment at Tunbridge.

A significant improvement in staff engagement has been achieved, with our Employee Engagement Survey in September 2019 recording a 25 per cent increase in staff engagement since the last survey in 2017. The survey results highlighted areas of opportunity and these will be a focus for the business. The mental health of staff continues to be a priority, and we are acutely aware of the new challenges presented by the pandemic.

I am pleased to witness the continued diversification of the TasRail team. Half of our advertised positions were filled by female candidates in 2019-20; females are now equally represented on the Executive Team and hold a record number of positions as network train controllers, train drivers and rail operators.

TasRail would like to acknowledge the two team members who reached their 50-year milestones in 2019-20, and also the four who reached 40 years of service. There are many staff whose years of service fall between those two achievements, and this demonstrates the passion our team has for the rail industry.

I am pleased to officially welcome Stephen Cantwell into his new role as Chairman of TasRail. Stephen, a Board Member since 2016, stepped into the role in January 2020. His depth of industry knowledge has been invaluable. I would like to thank him, our Directors, staff, customers and contractors for their support during these demanding times.



STEVEN DIÉTRICH

EXECUTIVE TEAM



CHIEF EXECUTIVE OFFICER
STEVEN DIETRICH



CHIEF OPERATING OFFICER
STEPHEN KERRISON

Freight Services

Freight Services provides safe, reliable and sustainable rail freight and logistics services, and operates TasRail's terminals. It is also responsible for operating the rollingstock fleet, safe and authorised access to the network and the storage and shiploading of bulk minerals.

Asset Management

Asset Management maintains the rail network and infrastructure such as level crossings, bridges, culverts and tunnels. It also maintains the rollingstock fleet, bulk storage assets including the Burnie Shiploader, and statewide facilities. Asset management is also responsible for vegetation management activities on TasRail's vast rail land corridors.

Business Improvement

The Chief Operating Officer is also responsible for oversight of the Infrastructure Investment Program and Capital Projects. The role also maintains a strong focus on cost control and business improvement.

Safety, Health and Environment (SHE)

TasRail's dedicated SHE team of specialists supports all operational areas with a particular focus on continuous improvement in TasRail's safety culture, risk management and effective management of the environment in which the Company operates.



MANAGER, CORPORATE RELATIONS AND STRATEGIC DEVELOPMENT

NEALE TOMLIN

Corporate Relations and Strategic Development

Corporate Relations and Strategic Development is focused on TasRail's strategic development opportunities. It also manages government, stakeholder and community relations including media, online presence, publications, and marketing and communications.



ERIN MOLLISON

MANAGER, PEOPLE AND CULTURE

People and Culture

People and Culture is focused on building a values-based culture and growing organisational capability through inclusion, diversity and collaboration. The team manages and implements human resource policy including: remuneration and reward, industrial relations, training and development and performance management.



CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY
KAREN VAN DER AA

Corporate Services

Corporate Services is responsible for financial reporting, auditing, accounts receivable, accounts payable, payroll, procurement, IT, business systems and property management. This team is also responsible for Board administration and business performance reporting.



VANESSA SULLIVAN

MANAGER, CUSTOMER AND BUSINESS DEVELOPMENT

Customer Service and Business Development

Customer Service and Business Development unite to ensure streamlined service for customers and Tasmanian industry from their first point of contact with TasRail through to booking their freight on rail. The team manages the functions of business development, customer account management, customer communications, market analysis, logistics design and planning, and importantly customer service delivery.

STATEMENT OF CORPORATE INTENT

Performance Target	Target Result: FY 2019-20	Actual Result: FY 2019-20	Comments
Lost Time Injury Frequency Rate (1)	0.0	1.71	Disappointingly, the recorded results exceeded the targets set. TasRail remains committed to safety excellence and to ensuring all employees and contractors go home safe and well every day.
Recordable Injury Frequency Rate (2)	2.0	3.42	
Freight Availability (General Intermodal)	98 per cent	95 per cent	This financial year's average Freight Availability performance was modestly impacted by unforeseen operational events.
Main Line Derailments	0	1	One mainline derailment occurred in July 2019, a low speed and low-impact incident at Tunbridge.
Below Rail Infrastructure Cost (Per Track Kilometre)	\$20.4 thousand	\$21.3 thousand	Infrastructure maintenance costs were slightly greater than planned.
Customer Revenue	\$39.1 million	\$36.5 million	Despite the challenging economic climate, a slight increase in customer revenue over the previous financial year was recorded. However, 2019-20 fell short of planned levels due to the impact of COVID-19 on the economy.
Capital Spend (3)	\$39.1 million	\$38.9 million	Capital spend was largely in line with plan, and importantly milestones for the jointly funded Tasmanian Freight Rail Revitalisation Program (TFRRP) were achieved.
EBITDA (Consolidated after BRIC) (4 & 5)	\$1.7 million	\$6.0 million	The impacts of COVID-19 are reflected in the recorded financial results, along with incident costs and 'one-off' transactions. Further details on these transactions are outlined in the audited financial statements.
Above Rail Net Profit (Loss) (5)	\$2.1 million	\$1.1 million	

(1) Lost-time injury frequency rate is defined as the sum of lost-time injuries per million work hours.

(2) Recordable injury frequency rate is defined as the sum of lost-time injuries and medical treatment injuries per million work hours.

(3) Phasing of the capital spend is based on agreed reprofiling with both the Tasmanian and Australian governments.

(4) BRIC – Tasmanian Government's Below Rail Infrastructure Contribution.

(5) 2019-20 Actual Results align with TasRail's audited Financial Statements.



PEOPLE AND CULTURE

At TasRail we recognise that people are our most valuable asset.

We strive to create a culture that fosters purpose and empowerment and embraces the Company's four key values – Safety, Integrity, Respect and Being Remarkable.

LEARNING AND DEVELOPMENT

TasRail continues to focus on building a capable workforce through a program of training and other development opportunities. In 2019-20, a second group of employees graduated from TasRail's customised Leadership Development Program, further strengthening the leadership potential of the workforce.

A 24/7 freight rail service like TasRail also requires a strong compliance-based training regime to ensure employees are competent to safely perform their roles, now and into the future. All staff have the opportunity to complete TasRail's trauma training. Presented in conjunction with TrackSAFE, Coping with Trauma is designed to provide education on support and coping strategies for all employees in the rail industry.

EMPLOYEE ENGAGEMENT SURVEY

TasRail conducted its biennial workforce engagement survey in September 2019, with pleasing results that point to the success of several tailored initiatives. Employee engagement has increased by 25 per cent since 2017, to an 'engagement rating' of 65 per cent. The survey measured the extent to which employees identified with TasRail's recently refreshed Vision and Values. It also provided data that highlighted increased satisfaction with team leadership.

TasRail is now using the survey findings to set the tone and direction of employee initiatives over the next 12-24 months, particularly in the areas of recruitment, induction, training and staff communication.

HEALTH AND WELLBEING

TasRail's unwavering commitment to sending employees home safe and well has played an important part in our business resilience this financial year, especially during the COVID-19 pandemic.

With employees both on the front line and working from home, mental health support has been of the utmost importance. In tandem with TasRail's traditional Rail R U OK Day messaging, TasRail's 22 accredited Mental Health First Aid Officers, across multiple sites, have played a key role in peer support. TasRail's annual influenza vaccination program was also brought forward, with car park immunisations occurring to ensure physical distancing.

In the first half of 2019-20, TasRail embraced and promoted a SunSafe message across the business, and the initiative was launched with a presentation by Melanoma Tasmania. TasRail now supports a skin check for employees every two years.

WORKFORCE PROFILE

251 full-time equivalent employees
Freight Services – 112.3 full-time equivalents
Corporate Services – 41.5 full-time equivalents
Asset Management (includes IIP) – 97.2 full-time equivalents

AGE

Youngest – 20 years
Average – 46.7 years
Oldest – 70 years

GENDER

Of TasRail's total workforce in 2019-20, 15.1 per cent were female.

Fifty per cent of new TasRail employees in 2019-20 were female.

MILESTONES

Two employees reached 50 years of service to the rail industry.

TASMANIAN FREIGHT RAIL REVITALISATION PROGRAM

TasRail completed year one of the Tasmanian Freight Rail Revitalisation Program (Tranche Two) on time and on budget in 2019-20. Working with its strategic partners in the Tasmanian civil construction industry, TasRail developed COVID-19 safe protocols to ensure that critical network upgrades could continue unabated and support an estimated 150-plus construction jobs in regional Tasmania.

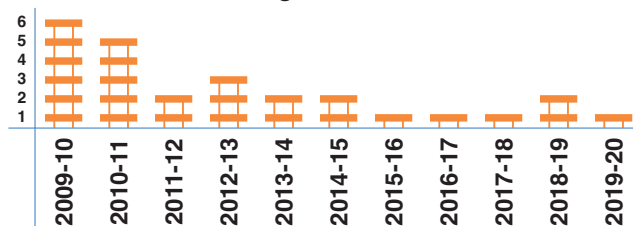
During 2019-20, Tranche Two delivered:

- Installation of 10,722 sleepers and 25,195 metres of new rail.
- 13 track turnouts (or points) on the network repaired or replaced.
- Renewal of 8 level crossings.
- Three coastal erosion sites strengthened and remediated.
- Strengthening of the 900-metre-long Rhyndaston Tunnel.
- Reconstruction and commissioning of the Parattah Log Siding.
- Installation of a truck weighbridge at Brighton Transport Hub.

Building on Tranche One, the record investment in the network is producing tangible benefits for Tasmanian industries that rely on rail logistics for supply chain services.

The continued downward pressure on 'single points of failure' in the network has helped reduce mainline derailments to record lows. TasRail remains resolute that it will achieve the target of zero mainline derailments thanks to ongoing network investment and its derailment prevention strategies.

Running line derailments



Tranche Two is a four-year program (\$119.6 million) funded in equal measure by the Tasmanian and Australian Governments. TasRail will deliver the program on budget and on time by 30 June 2023, working with its partners in the civil construction sector. Tranche Two investment will be focused on the primary freight corridor between Burnie and Brighton. This will provide heavy industry and freight forwarders with the confidence that TasRail will continue to provide high quality rail freight logistics services.

After the success of Tranche One, the Tasmanian and Australian Governments committed \$136 million to a third tranche of the Freight Rail Revitalisation Program. It is anticipated that Tranche Three will commence in the second half of 2020-21, targeting completion in June 2024, and continuing critical work on network renewal.

During 2019-20 TasRail completed the scoping phase of the project to replace its bulk minerals shiploader at the Port of Burnie. The project is fully funded by the Australian Government and will allow TasRail (the owner and operator) to replace a unique and critical piece of infrastructure that is now more than 50 years old. It is anticipated that the new shiploader project will take two years to deliver and provide industry with significant productivity, reliability, environmental and safety benefits.

The Tasmanian and Australian governments have committed \$376 million to Tranches One, Two and Three of the Tasmanian Freight Rail Revitalisation Program. This record investment will continue to improve network performance while providing industry with confidence that it can rely on TasRail for safe, reliable and efficient rail logistics for its supply chains.

While delivering capital investment is critical, TasRail is also responsible for asset stewardship. Much progress was made in 2019-20 in the development of a Strategic Assessment Management Plan (SAMP). The SAMP provides a framework for the lifecycle management of the rail network and Above Rail assets, such as locomotives and wagons. TasRail has partnered with a Tasmanian technology company and chosen a software platform used by railways the world over to reduce risk and project development costs. The system will guide the timing and scope of investment decisions.





ABOVE RAIL BUSINESS

TOTAL FREIGHT TASK / NET TONNE KILOMETRES (NTK)

COMMODITY	2019-20 NTK	2018-19 NTK	Percentage change Year on Year
Coal	37,776,703	42,695,134	-11.5%
Cement	23,983,822	25,459,817	-5.8%
Mineral Concentrates	22,695,639	22,053,768	2.9%
Logs	41,110,223	28,903,180	42.2%
General Intermodal	244,765,564	246,822,408	- 0.8%
Paper	109,291,862	117,019,541	- 6.6%
TOTAL	479,623,813	482,953,848	- 0.7%

The Above Rail business is the commercial arm of TasRail and provides rail logistics to Tasmanian industry across three market categories – intermodal (containers), bulk and forestry. TasRail's modernised contracts require high levels of service delivery for industry, and this can only be achieved by maintaining the fleet of locomotives and wagons to exacting standards.

The Above Rail teams have been integral to TasRail maintaining uninterrupted 24/7 frontline services throughout the COVID-19 pandemic, providing surety of haulage capacity across TasRail's statewide network of terminals, bulk handling sites and dedicated customer sidings.

In addition to rail logistics, the Above Rail business operates:

- A statewide network of terminals;
- Container handling services;
- Bulk minerals handling, storage and shiploading; and
- Bulk log handling, storage and loading.

The rail freight task handled by TasRail's Above Rail business in 2019-20 was slightly less than the previous year at 2.87 million tonnes. While growth in logs hauled reflects TasRail's strategic partnership with the Tasmanian forestry sector, other commodities have experienced reductions due to challenging market conditions.

TOTAL NET TONNE KILOMETRES

2019-20	479,623,813
2018-19	482,953,848
2017-18	488,515,583

Net tonne kilometres are calculated by multiplying the total distance travelled in kilometres by the net weight of the freight.

LOCOMOTIVE UTILISATION

The team at TasRail worked hard to optimise the use of rollingstock across the network in 2019-20, ensuring that a wide range of freight could be hauled for our highly valued customers. TasRail's fleet includes 17 TR, eight DQ, and two 2050 class locomotives.

2019-20	27 locomotives	17,763,845 NTK per locomotive
2018-19	27 locomotives	17,887,179 NTK per locomotive
2017-18	25 locomotives	19,540,623 NTK per locomotive

SHIPLOADING OPERATIONS

Bulk minerals shiploading volumes were down 13 per cent on the previous year as some customers experienced challenging market conditions. TasRail's Bulk Minerals Export Facility provides the on-wharf material storage for Shiploader and is currently capacity constrained due to the number of contracted customers and wide range of products. Expansion options are currently being reviewed.

Total shiploading volumes

2019-20	489,148 tonnes
2018-19	564,201 tonnes
2017-18	463,462 tonnes



BUILDING OUR BUSINESS

TasRail holds long-term contracts to provide rail logistics services to Tasmanian heavy industries and freight forwarders.

In 2019-20 TasRail provided industry with just under three million tonnes of rail haulage services. As a freight transport task this equates to 480 million net tonne kilometres. Some of our customers experienced pandemic-related market slowdowns and operational challenges that impacted demand for rail services.

Despite challenges in some customer categories there were improvements. TasRail's mineral concentrates rail service transported 3 per cent more material than the previous year.

TasRail's strategic partnership with the forestry industry continued in 2019-20, with new customer contracts executed and further investment in sidings and rollingstock that effectively expand capacity for industry partners. TasRail now has two fit-for-purpose log loading locations in southern Tasmania at Brighton and Parattah, providing industry with options to link harvesting and road transport with rail services.

Likewise, there are now two unloading sidings at Bell Bay, directly servicing two processing and export mills. Despite challenging conditions in overseas markets, log volumes grew by 42 per cent in 2019-20. The forestry industry values the inherent safety, simplicity and efficiency of TasRail's services and there is also an emerging recognition of the environmental benefits of rail transport.

The carbon intensity for a tonne of freight moved by rail is significantly lower than if moved by road. Analysis prepared for TasRail shows a 62 per cent reduction in greenhouse gases when industry chooses to use rail transport in their supply chain in Tasmania. TasRail believes that over time, low carbon intensity of rail supply chains will be valued highly by existing and prospective customers in forestry and other heavy industries.

Although the only freight railway in Tasmania, TasRail operates in a highly competitive market and must provide an excellent standard of service to industry to retain and grow market share.



TasRail operates more than one hundred services per week, linking industries with their customers and export supply chains. Delivering freight on time is critical, particularly for container service customers that need to connect with daily shipping services on Bass Strait.

Freight Availability is a key metric for TasRail, and measures performance in customer freight being available to unload at the agreed time. In 2019-20, TasRail had a combined Freight Availability target for its three intermodal services of 96 per cent and achieved an actual result of 97.4 per cent. This result is a credit to operational teams. Being on time is an integral part of TasRail's value proposition.

The sharp contraction in the domestic and international economy was keenly felt by several TasRail customers. This impacted demand for rail services and customer revenue. Nevertheless, TasRail is confident affected industries will rebound and stands ready to serve its customers.

TasRail will prepare itself by investing in the network and rolling stock. Critical rail network upgrades and main engine overhauls on the TR Class locomotives undertaken in 2019-20 will continue. For current and potential bulk mineral customers, the scoping and planning work completed during 2019-20 for TasRail's new bulk minerals shiploader at the Port of Burnie will see a step change in productivity.

SAFETY

TasRail's dedicated Safety, Health and Environment (SHE) team is the lynchpin in its journey towards Zero Harm.

Safety is entrenched as one of TasRail's four key values and the mantra of going 'Home Safe and Well Every Day' is part of the company culture thanks to the continued reinforcement of the cultural SafetyCircle™ Program that has been in place since 2016. This reputation for safe service delivery is also of significant value to TasRail's customers who are increasingly focused on risk mitigation in their supply chains.

As of 30 June 2020, it had been 152 days since a TasRail employee suffered a lost-time injury (LTI), and a record 1,158 days since a TasRail contractor experienced a LTI. TasRail is proud of its contractor partners and continues to work closely to proactively guide and support them in relation to risk management and safety culture.

Likewise, mainline derailments continue to be well below historic levels. TasRail reported one derailment early in 2019-20, when a northbound train experienced a minor derailment at Tunbridge due to a combination of adverse operational factors.

FATIGUE RISK MANAGEMENT PROJECT

TasRail also continued to grow its commitment to safety by targeting the risks associated with fatigue in its workforce in 2019-20. Phase one of the Fatigue Risk Management project resulted in roster improvements and upgraded risk controls for drivers based at TasRail's Devonport site. This has set the tone for the introduction of multiple defences against fatigue risk that will be rolled out across the business in 2020-21.

The project objective is to build a Tasmanian best-practice Fatigue Risk Management System for high-risk transportation environments. The project will build the strength and consistency of TasRail's safety culture by increasing workers' and leaders' commitment to managing fatigue at all levels of the organisation.

BEING COVID SAFE

TasRail's SHE team continues to play a proactive role in keeping TasRail's workforce safe and healthy during the COVID-19 pandemic. Led by a SHE team member, a COVID Recovery Committee, with representation from all areas of the business, has been established to bolster TasRail's ongoing transition into a COVIDSafe workplace.

Along with developing TasRail's COVID-19 Relief and Recovery Strategy, the Committee, in conjunction with the Executive Team, ensures that appropriate processes are in place to comply with all regulatory requirements and that there are consistent control measures across all sites.

COMMUNITY RAIL SAFETY

TasRail takes a proactive role in promoting community safety around rail, spreading the message via a variety of channels, including periodic advertising campaigns. It works closely with the TrackSafe Foundation to develop educational material, and on national initiatives like Rail Safety Week. In 2019-20 TasRail saw a marked decrease in level crossing incidents throughout the State, pointing to the success of initiatives in this area.

	2019-20	2018-19	2017-18	2016-17
Level crossing failure to stop or give way	33	85	72	76
Level crossing collisions	1	2	1	1
Trespass	57	58	69	43
Vandalism and theft	37	31	72	55
Livestock in the rail corridor	167	104	122	64
Animal collisions with trains	33	19	20	10
Train horn complaints	16	22	21	20



BELOW RAIL SEGMENT

TasRail's Below Rail segment is responsible for the management and maintenance of the Tasmanian Rail Network including rail, sleepers, ballast, points, formation, bridges, culverts, tunnels, and level crossings. The team also maintains TasRail's land tenure (including vegetation management) comprising both operational and non-operational rail corridors of more than 790 linear kilometres.

Percentage Rated: Good, Fair, Poor, Very Poor

	Jun 2020 (Good)	Jun 2019 (Good)	Jun 2020 (Fair)	Jun 2019 (Fair)	Jun 2020 (Poor)	Jun 2019 (Poor)	Jun 2020 (V. Poor)	Jun 2019 (V. Poor)
West	78.9	80.7	18.3	16.9	2.7	2.2	0.06	0.11
South	72.2	67.6	24.0	27.2	3.5	5.1	0.34	0.23
Melba	80.3	72.5	17.5	24.2	2.2	3.2	0.00	0.19
Bell Bay	67.3	70.7	27.0	22.7	5.5	6.5	0.18	0.18
Fingal	81.3	80.4	15.5	16.4	3.0	3.0	0.18	0.18
Derwent Valley	61.2	44.8	26.9	39.6	9.0	12.7	2.99	2.99
Network	75.9	73.4	20.6	22.4	3.3	4.0	0.22	0.24

TRACK QUALITY INDEX (TQI)

The TQI is derived from mandatory, scheduled mechanised track geometry recordings that are measured by TasRail's Track Geometry Measurement System (TGMS). The outputs of the TGMS allow the Asset Management team to make informed decisions on network maintenance priorities.

In 2019-20 there was an overall increase in the proportion of track rated as 'Good' (see table above). This was led by improvements on the South, Melba and Derwent Valley lines.

TAMPING

Effective use of TasRail's tamper and ballast regulating machines is vital to the network maintenance strategy – ensuring that the track geometry is maintained to standard. The tamper works in close association with the TasRail ballast train, which distributes new ballast to the track in advance of the tamper. Consequently, a ballast wagon refit program in late 2019 resulted in fewer kilometres being tamped this financial year – down 28 per cent to 126km. This program has now been completed.

	2019-20	2018-19
Tamped Kilometres	126	174

TEMPORARY SPEED RESTRICTIONS (TSR)

As a result of TasRail's detailed inspection process, it is sometimes necessary to mitigate risk by reducing the speed of the trains in a specific location. A TSR assists in managing risk in areas where a track defect or other issue has been identified, pending a permanent solution. The percentage of the operational network under TSR as of 30 June 2020 was steady compared to 1 July 2019. Due to the capital and maintenance programs being delivered, TSRs are approximately 53 per cent lower than their highpoint in 2016.

Percentage of the Network under TSR

30 June 2020	8.3
30 June 2019	8.0

CORRIDOR LAND MANAGEMENT

TasRail is responsible for maintaining the Tasmanian Rail Network. This comprises terminals, depots, sidings and approximately 1,580 kilometres of land corridor. Land management activities include biannual spraying and slashing, selective weed control and/or eradication, removal of problem trees and other hazards within and adjoining rail land, and the clearance of line of sight obstructions in the rail corridor. Details about TasRail's land management activities are published on the Company website.

	2019-20	2018-19
Vegetation Complaints	48	56



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

At TasRail, Corporate Governance relates to the system by which the business is directed and managed. Much of its success is underpinned by strong and effective relationships between the Board and the Management Team, the Shareholder Members and other stakeholders.

TasRail is governed by a Shareholder-appointed Board of Directors. The Board operates under a framework that is consistent with the ASX Corporate Governance principles and recommendations:

Principle 1 – Lay solid foundations for governance and oversight:

The TasRail Board is made up of five independent Non-Executive Directors. The responsibilities of individual Directors and the Company's expectations of them are set out in their letter of appointment and the Board Charter.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The Board Charter requires annual reviews of the Board, its Committees and Directors. The process for evaluations is in line with the Guidelines 'Assessing Board Performance' issued by the Shareholders.

The Chairman and the CEO, along with the Portfolio Minister, appear before and respond to the Parliamentary Government Business Scrutiny Committee(s) as and when required.

Principle 2 – Structure the Board to add value:

All TasRail Directors are independent of management. Directors have an ongoing requirement to notify the Board of any material personal interest in any matter relating to the affairs of TasRail. The Chairman is an Independent Director and is not an Executive of the Company.

Directors are selected and appointed on the basis of their skills and experiences and in consideration of diversity and independence, probity and background checks. The appointment involves the creation of a Director Selection Advisory Panel. An executive search firm is appointed to assist the panel to identify potential candidates. TasRail maintains a Board Skills Matrix, setting out the mix of skills and diversity that the Board has.

The Board Charter recognises the importance of effectively inducting new Directors and the value of continuing professional development for its members. An induction program is administered by the Chairman with the support of the Company Secretary and the CEO.

Principle 3 – Act ethically and responsibly:

The Board Charter commits the Board to maintaining the highest ethical standards. It expects that Directors will demonstrate the spirit and intent of its Code of Conduct as well as comply with all applicable legislation, lawful directions from Shareholders and Company policies.

Each Director is bound to uphold the Code of Conduct by exhibiting model performance, behaviour and conduct that is in line with the Code during the course of their employment. They must promote the Code and ensure that any potential breaches are taken seriously, identified and reported and acted upon appropriately. The Code of Conduct is underpinned by other policies and procedures that articulate the expectation to act ethically and responsibly, as well as comply with legislative and regulatory obligations. These include the Right to Information Policy, Privacy Policy, Procurement Procedure, Public Interest Disclosures ('Whistleblowers') Policy and People Management Business Critical Process.

Principle 4 – Safeguard integrity in corporate:

The Board operates an Audit and Risk Committee that assists the Board to discharge its duties in relation to its corporate and financial reporting processes, internal and external audit, and compliance.

The Committee reviews the Company's financial statements and associated reports and recommends them to the Board for consideration. As part of the end-of-year processes, the Committee ensures the CEO and CFO provide the required declarations under S295A of the Corporations Act and formally sign the accounts before it makes any recommendations to the Board.

The TasRail Constitution provides that the Company is required to use the Tasmanian Auditor-General for its external audit. Members confirm the appointment of the external auditor at each Annual General Meeting. The auditor attends the Annual General Meeting to discuss any issues with members. The Audit and Risk Committee also meets with the external auditor without management present from time to time.

TasRail's annual reports are provided to Shareholders by the end of October each year. The reports are tabled in each House of the Tasmanian Parliament and are therefore subject to the scrutiny of all Members of the Parliament and the community.

Principle 5 – Make timely and balanced disclosure:

TasRail is required by its Constitution to communicate with its Shareholders and others, via regular and irregular reporting and other means of communication. In practice, there is a flow of information throughout the year on important matters to ensure Shareholders are kept informed. If the Directors at any time form the view that matters have arisen that may prevent, or significantly affect, achievement of the objective, strategies, policies or financial targets of the Company, the Directors must promptly notify the Shareholder Members.

Details about disclosures are made under the *Right to Information Act 2009*; the *Public Interest Disclosures Act 2002*; and the *Personal Information Protection Act 2004* are set out in the Annual Report.

Principle 6 – Respect the rights of shareholders:

TasRail's Constitution specifies the rights and powers of the Shareholder Members. The Board has procedures for communication with Shareholder Members to ensure they have timely access to information about the Company, including its financial situation, performance, governance and any sensitive matters about which they need to be aware.

Consistent with the *Rail Company Act 2009*, Directors must comply with the lawful directions given in writing by the Shareholder Members.

Principle 7 – Recognise and manage risk:

Under its Charter, the Board commits to ensuring TasRail effectively manages its strategic, financial, operational, reputational and emergency risks. The Board also ensures that an effective system of risk management and internal control operates within the Company and that it regularly monitors the performance of that system.

TasRail's Risk Management Framework is approved and overseen by the Board. The Executive Team discusses and reviews emerging and actual risks in the Company's external and internal environment and uses this analysis to make decisions and agree on risk mitigation plans. They report on risk and risk management to the Audit and Risk Committee. This Committee assists the Board to discharge its duties by reviewing and supplementing the reports provided by the Executive Team, monitoring the strength and reliability of the framework and reporting to the Board on the status of risk in the Company.

TasRail provides Shareholders Members with information about risk by including key financial and operational risks in the annual corporate plan and regularly discussing risks at Shareholder Member briefings.

Principle 8 – Remunerate fairly and responsibly:

The Board has specifically retained responsibility for approving the Remuneration and Incentive Framework and Policies, Organisational Structure amendments and conditions of employment.

The People and Remuneration Committee comprises three independent Non-Executive Directors. Its Charter sets out the Committee's role as assisting the Board to meet its responsibilities by:

- Ensuring TasRail's remuneration and incentive policies, practices and performance indicators are aligned to the Board's vision, values and overall business objectives;
- Ensuring TasRail's remuneration policies meet the requirements outlined in the Guidelines for Tasmanian Government Businesses - Director and Executive Remuneration;
- Reviewing and recommending to the Board remuneration policies and practices to be introduced at TasRail;
- Reviewing and recommending to the Board principal terms of employment contracts including the remuneration packages for the CEO and senior executives;
- Reviewing and recommending to the Board remuneration of the CEO;
- Monitoring the performance of the CEO and key performance indicators to determine and recommend to the Board performance criteria and payments;
- Reviewing the CEO's recommendations regarding Enterprise Agreement strategy and remuneration under other arrangements for company staff, and ensuring remuneration is aligned with market trends.

The Committee also ensures remuneration reports are provided to Shareholder Members as required.

CORPORATE GOVERNANCE (CONT)

PUBLIC INTEREST DISCLOSURES

TasRail is committed to the aims and objectives of the *Public Interest Disclosures Act 2002* and does not tolerate improper conduct by its employees, officers or members, or the taking of detrimental action against those who come forward to disclose such conduct.

The *Public Interest Disclosures Act 2002* provides protection to persons who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and for rectifying actions to be taken.

TasRail has adopted model procedures to be followed by Public Bodies in relation to Public Interest Disclosure (PID). These procedures establish a system for reporting disclosures of improper conduct or detrimental action by TasRail or members, officers or employees of the public body.

They are also intended to assist TasRail's members, officers and employees to understand the way in which the *Public Interest Disclosures Act 2002* operates and is to be administered. The procedures are designed to complement normal communication channels between supervisors and employees and have been prepared in accordance with Guidelines and Standards published by the Ombudsman under Section 38(1) (c) of the Act.

Under the *Public Interest Disclosures Act 2002* TasRail is required to report on any disclosures about improper conduct by its public officers or TasRail.

In accordance with the requirements of Section 86 of the Act, TasRail advises that:

- (a) TasRail's procedures under the Act are available at www.tasrail.com.au or email PD.Officer@tasrail.com.au. Alternatively, you can write to: Public Interest Disclosure Officer, TasRail, PO Box 335, Kings Meadows, Tasmania 7249.
- (b) No disclosures were made to TasRail during 2019-20.
- (c) No Public Interest Disclosures were investigated by TasRail during the year.
- (d) No disclosed matters were referred to TasRail during the year by the Ombudsman.
- (e) No disclosed matters were referred by TasRail during the year to the Ombudsman to investigate.

- (f) No investigations of disclosed matters were taken over by the Ombudsman from TasRail during the year.
- (g) There were no disclosed matters that TasRail decided not to investigate during the year.
- (h) There were no disclosed matters that were substantiated on investigation.
- (i) The Ombudsman made no recommendations under the Act that relate to TasRail.

RIGHT TO INFORMATION

TasRail is committed to compliance with the *Right to Information Act 2009* and to act in a fair, objective and timely manner to ensure the spirit of the Act is upheld. Information about the *Right to Information Act 2009* and TasRail's obligations under it are available at www.tasrail.com.au or email righttoinformation@tasrail.com.au

During 2019-20, TasRail received four Right to Information requests.

TasRail embraces the objectives of the *Right to Information Act 2009* by routinely publishing information that it considers to be of interest to the public. TasRail's preferred method of disclosure of information is proactive disclosure via its publications, website and social media.

PERSONAL INFORMATION PROTECTION

TasRail values and respects the privacy of all personal and sensitive information. The Company is committed to protecting the information it collects, stores, handles, uses and discloses in accordance with the requirements of the *Personal Information Protection Act 2004* (Tas.), which prescribes Personal Information Protection Principles for Tasmania, as well as the National Privacy Principles prescribed under the *Privacy Act 1988* (Cth).

Procedures that define the way TasRail collects, stores, handles, uses and discloses information are published on TasRail's website at www.tasrail.com.au. No reports were made under this regime for the 2019-20 reporting period.

BUY LOCAL

TasRail complies with the Tasmanian Government's Buy Local Policy for its procurement processes, including the requirement to provide transparency about procurement outcomes. A Tasmanian business is defined as a business operating in Tasmania, which has a permanent office or presence in Tasmania and employs Tasmanian workers.

TasRail endeavours to support many local businesses, but is effectively only able to identify a business as being Tasmanian if the invoice payment and/or the Australian Business Number (ABN) are registered to an address within the State. Purchases are defined to include operating expenses together with capital expenditure. The table below excludes employment and finance expenses and depreciation.

Buy Local performance

Value of purchases from Tasmanian businesses	\$43,852,588.74
Percentage of purchases from Tasmanian businesses	62.64 per cent

Rail uses specialised materials that are not available for local purchase, production or manufacture. For example, rail and sleepers.

PAYMENT OF ACCOUNTS

TasRail complies with the Tasmanian Government Policy that requires State-owned Companies to:

- Implement appropriate policies and procedures to ensure that all accounts are paid on time, and if not, interest is to be paid for late payments;
- Pay invoices of less than \$50,000 within 30 days, or if a shorter term has been agreed, within the shorter term; and
- Pay invoices with a value above \$50,000 in accordance with the agreed terms and by the due date.

The expectation is that TasRail will pay all invoices correctly rendered by suppliers within the period specified by the supplier; or where the contract is silent on payment requirements, within 30 calendar days of the date of the correctly rendered invoice.

Accounts due or paid within 2019-20

Number of accounts due for payment	10,806
Number of accounts paid on time	10,806
Amount due for payment	\$70,097,768
Amount paid within agreed timeframes	\$70,097,768
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	\$0



CORPORATE GOVERNANCE (CONT)

CONTRACTORS

A Contractor is defined as an individual or organisation engaged under a contract (other than as an employee) to provide goods and or services to an entity. There were a number of contracts let in 2018-2019 where commitments carried forward into this financial year. Additionally, TasRail has awarded contracts in 2019-20 that have commitment values into the next financial year.

Values over \$5 million

Contract/Works Package	Procurement Method	Buy Local Policy Applied	Contractor	Contractor State of Operations
IIP trackworks Defects Type 2 & 3	Open Tender	Yes	VEC Civil Engineering Pty Ltd	TAS
IIP Formation Renewals	Open Tender	Yes	Shaw Contracting Pty Ltd	TAS

Contracts valued over \$2 million but less than \$5 million

Contract/Works Package	Procurement Method	Buy Local Policy Applied	Contractor	Contractor State of Operations
IIP trackworks Defects Type 1	Open Tender	Yes	Global Rail Australia Pty Ltd	VIC

CONSULTANTS

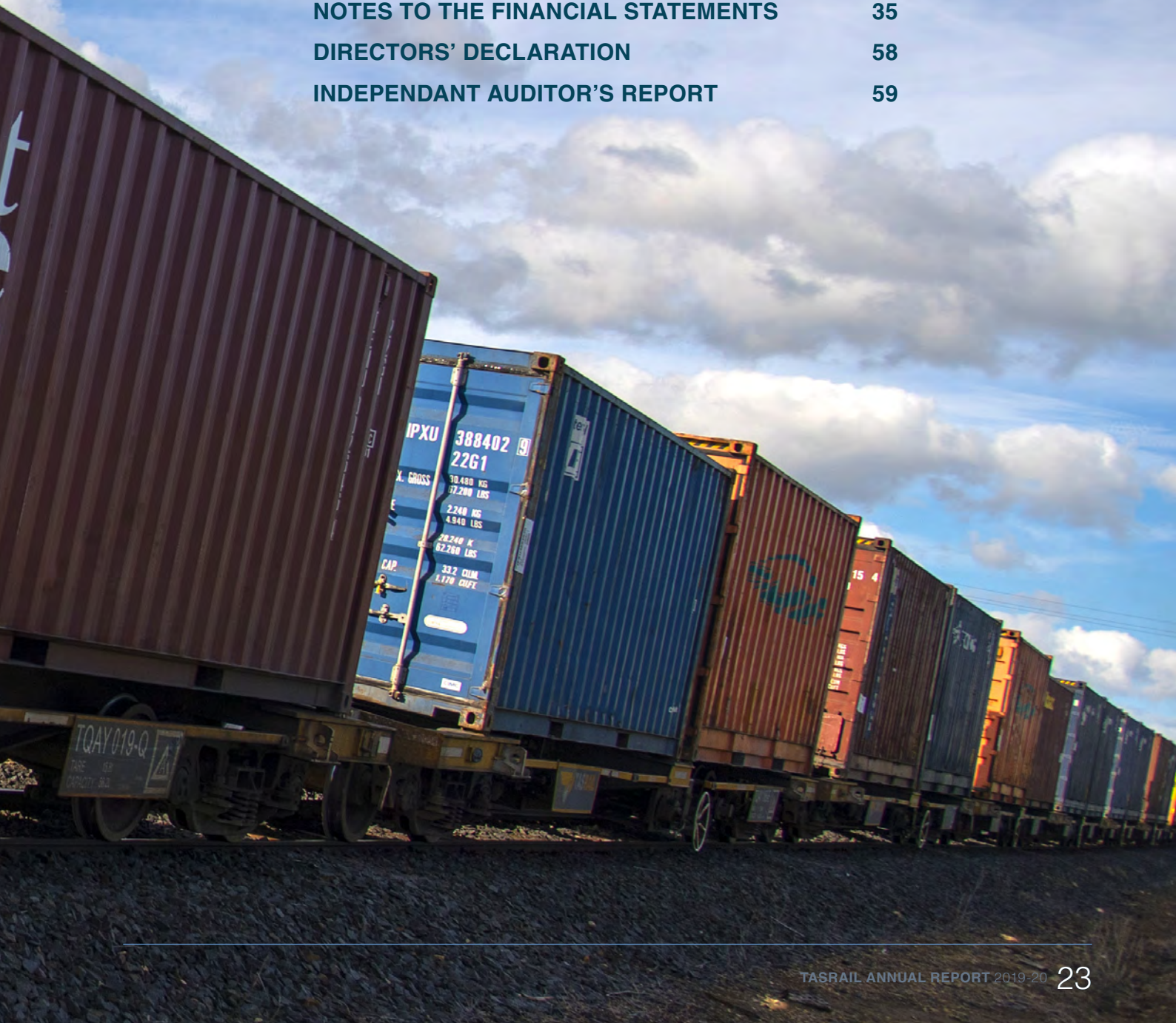
The guideline defines a Consultant as a particular type of contractor who is engaged to provide recommendations or specialist or professional advice to an entity. The following consultancies were valued at more than \$50,000 (excluding GST):

Name of consultant	Location	Description	Amount \$
ISW Development	TAS	Software implementation	433,681
GHD	TAS	Engineering support	377,625
PDA Surveyors	TAS	Surveying, engineering and planning services	243,225
Alexandries Engineering	SA	Engineering and project management advice	175,363
Pitt & Sherry	TAS	Engineering support	170,958
Riccardo Rail	NSW	Professional services	156,898
Jacobs Group (Australia)	TAS	Engineering support	98,153
COVA Thinking	TAS	Professional services	78,163
Sub Total			1,827,347
There were 19 consultants engaged for \$50,000 or less, totalling			164,880
Total payments for consultants to June 2020			1,992,227

FINANCIAL REPORT

30 JUNE 2020

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TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

The Directors present their report together with the financial report of Tasmanian Railway Pty Limited ('the Company') for the financial year ended 30 June 2020 and the Independent Auditor's Report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Special responsibilities and other directorships
<p>Samantha Hogg Independent Non-Executive Director, Chair</p> <p>Appointed 10 August 2015 Reappointed 12 November 2018 Resigned 31 December 2019</p>	<p>Chair, Governance and Nomination Committee</p> <p>Chair, Tasmanian Irrigation Director, Hydro Tasmania Director, MaxiTRANS Member, Australian Renewable Energy Agency Board Board Member, Infrastructure Australia Director, Cleanaway Waste Management Limited</p>
<p>Stephen Cantwell Independent Non-Executive Director, Chair</p> <p>Appointed 1 December 2016 Reappointed 21 November 2019 Appointed Chair 1 January 2020</p>	<p>Chair, Safety, Health and Environment Committee (until 3 February 2020) Chair, Governance and Nomination Committee (from 3 February) 2020 Member, Audit and Risk Committee Member, Governance and Nomination Committee</p> <p>Director, Port of Brisbane Pty Ltd Director, Queensland Rail Pty Ltd (QR) Member, Townsville Industrial Development Board</p>
<p>Alison Chan Independent Non-Executive Director</p> <p>Appointed 15 February 2020</p>	<p>Member, Safety, Health and Environment Committee Member, People and Remuneration Committee Member, Governance and Nomination Committee</p> <p>Member, Nevern Square Garden Limited Member, Rollhelp Limited Executive, National Australia Bank</p>
<p>Ian Dobbs Independent Non-Executive Director</p> <p>Appointed 1 July 2017 Reappointed 1 July 2020</p>	<p>Chair, People and Remuneration Committee (until 3 February 2020) Chair, Safety, Health and Environment Committee (from 3 February 2020) Member, Safety, Health and Environment Committee Member, Governance and Nomination Committee Member, People and Remuneration Committee</p> <p>Deputy President and Member of Executive Board, International Association of Public Transport (UITP) Brussels Chair and Non-Executive Director, Network Rail Consulting Australia and New Zealand Non-Executive Director, Network Rail Consulting in London Member, Advisory Board, Cubic Transportation Services</p>

TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

<p>Janine Healey Independent Non-Executive Director</p> <p>Appointed 1 July 2017 Reappointed 1 July 2020</p>	<p>Chair, Audit and Risk Committee Member, People and Remuneration Committee Member, Governance and Nomination Committee Member, Safety, Health and Environment Committee (from 3 February 2020)</p> <p>Director, Football Federation of Tasmania Member & Treasurer, Launceston Chamber of Commerce Member & President of State Divisional Council of the Australian Institute of Company Directors Treasurer, Tamar Community Peace Trust</p>
<p>Philip Mussared Independent Non-Executive Director</p> <p>Appointed 6 December 2017</p>	<p>Chair, People and Remuneration Committee (from 3 February 2020) Member, Audit and Risk Committee Member, Safety, Health and Environment Committee (until 3 February 2020) Member, People and Remuneration Committee Member, Governance and Nomination Committee</p> <p>Chair, Tasmanian Traineeships and Apprenticeships Committee Director, National Trust (Tasmania) Vice-President, Australian Risk Policy Institute Associate Director, TFG International Pty Ltd Director, MyWhiskyJourneys Pty Ltd Director, Canberra Investment Services Pty Ltd Member, Tasmanian Heritage Council</p>

The number of Directors' Board and Board Committee Meetings and the number attended by each of the Directors of the Company for the year ended 30 June 2020 are:

Director	Meetings of committees									
	Board		Audit		Governance		Safety		People	
	A	H	A	H	A	H	A	H	A	H
Samantha Hogg	5	5	-	-	1	1	-	-	-	-
Stephen Cantwell	10	10	4	4	1	1	2	2	-	-
Alison Chan	3	3	-	-	-	-	1	1	2	2
Ian Dobbs	10	10	-	-	1	1	4	4	6	6
Janine Healey	10	10	4	4	1	1	2	2	6	6
Philip Mussared	10	10	4	4	1	1	2	2	6	6

Board = Full meetings of Directors
Audit = Audit and Risk Committee
Governance = Governance and Nomination Committee
Safety = Safety, Health and Environment Committee

People = People and Remuneration Committee
A = Number of meetings attended
H = Number of meetings held during the time the Director held office or was a member of the committee during the year

Directors, other than appointed members of Board Committees, regularly attend the Board Committee meetings.

2. PRINCIPAL ACTIVITIES

The Company is a vertically integrated Company which owns and operates the rail business in Tasmania. The Company is a State-owned company, the shareholders being the Tasmanian Treasurer and the Tasmanian Minister for Infrastructure.

The principal activity of the Company during the course of the financial year was the provision of rail freight operations in Tasmania. There were no significant changes in the nature of the activities of the Company during the year.

3. OPERATING AND FINANCIAL REVIEW

Operating segments

Consistent with the *Tasmanian Rail Company Act 2009*, the Company's business is operated in two distinct segments, Below Rail and Above Rail.

Below Rail

This segment relates to the management and operation of the Tasmanian rail network and related infrastructure, including all maintenance and related capital programs. The railway is a narrow gauge railway built in the late 1800s and the current line still uses much of the original formation and alignment. The Tasmanian rail network consists of 611km of operational track and 234km of non-operational track.

Above Rail

This segment relates to the provision of safe, reliable and sustainable rail freight and logistics services, operates TasRail's terminals and is responsible for operating the rollingstock fleet. This segment also manages authorised access to the rail freight network in Tasmania. In addition, the Company owns and operates the Burnie bulk storage and shiploader facility.

Operating result

For the year ended 30 June	2020 \$'000	2019 \$'000
Net loss after tax before comprehensive income was	\$34,968	\$25,408
After:		
- grant income for capital works of	\$64	\$13,496
- an impairment expense (infrastructure) of	\$30,673	\$27,186
- depreciation and amortisation expenses of	\$8,067	\$9,014
- an impairment expense (rollingstock) of	\$5,443	\$nil

This has been calculated in accordance with Australian Accounting Standards (AASBs).

The infrastructure impairment loss in the current year relates to capital expenditure on the Below Rail infrastructure funded by the Australian and Tasmanian governments. The infrastructure assets constructed are impaired as they do not generate sufficient revenue to sustain the Below Rail segment of the Company without recurrent Tasmanian Government contributions. Under accounting standards and direction from the Tasmanian Treasurer, contributions to fund capital expenditure on infrastructure assets are recognised in the following manner:

- Australian Government contributions to fund infrastructure assets are recognised directly as equity, not as revenue and therefore do not offset the impairment loss. The total amount received in 2019-20 was \$16,950,000 (2018-19: \$13,150,000).
- Tasmanian Government contributions for the 2018-19 financial year were treated as revenue upon completion of the underlying works which partially offsets the impairment loss. This treatment of contributions to fund the purchase or construction of assets was introduced in 2015-16 and ceased 2018-19. Tasmanian Government contributions for 2019-20 are recognised directly as equity, not as revenue, and therefore do not offset the impairment loss. The total amount received in 2019-20 was \$30,475,000.

TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

An independent valuation of rollingstock was undertaken as at 30 June 2020. This resulted in a revaluation decrement of \$5,443,000 reflected in the operating results of the above rail segment and an uplift of \$13,862,000 recorded as an increase to the asset revaluation reserve. The Above Rail result reported reflects the adjustments recorded as a result of the rollingstock revaluation and also the receipt of compensation monies of \$9,000,000.

Segment results for the year were made up of the following:

For the year ended 30 June	2020 \$'000	2019 \$'000
Below Rail net loss before income tax of	\$(40,260)	\$(24,326)
After:		
- impairment, depreciation and amortisation expenses of	\$34,077	\$30,945
Above Rail net profit (loss) before income tax of	\$1,133	\$(1,082)
After:		
- depreciation and amortisation expenses of	\$5,693	\$5,226

The Tasmanian Government provides recurrent operating grant funding for the business.

COVID-19

March 2020 saw the effect of COVID-19 reach Tasmania, and along with governments worldwide, the Tasmanian Government introduced strict guidelines to minimise the spread of COVID-19 in Tasmania. TasRail established work-from-home requirements for applicable employees, managed work patterns of key staff critical in ensuring the continued safe operations of all freight related activities, restricted all non-essential travel across the State and ensured an adequate supply of critical spares and equipment for the short to medium term. A dedicated team was established to manage the impact of the virus, strengthen the Company's business continuity plans, and more recently, ensure compliance with WHS obligations regulations in ensuring a COVID-safe workplace.

The Company remains committed to keeping its employees safe while continuing to support its customers through the uncertain times ahead.

Throughout the final months of 2019-20, the virus has had a significant economic impact on many industries within Tasmania and, as a result, a flow-on impact to the operations of the Company. It is anticipated that these trading conditions will continue into 2020-21. However, the extent of this is difficult to accurately predict given the current economic uncertainties.

4. ENVIRONMENTAL REGULATIONS

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation. The primary legislation is the *Environmental Protection Act 1994*. No breaches of the above-mentioned legislation were notified in 2019-20.

Under the terms of the Lease from the Minister for Infrastructure for the Rail Corridor and associated infrastructure, the Company is responsible for remediation of any environmental obligations that may become apparent as a result of the Company's operations or past operations of the network. There were no new environmental liabilities identified at balance date that would have a material effect on the Company's Financial Report at 30 June 2020. If significant environmental liabilities are identified in the future, relating to the period prior to the commencement of the Company, the Company would require financial support from the Tasmanian Government to fund the remediation.

5. DIVIDENDS

No dividends were paid or declared by the Company to Members in 2019-20.

6. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

7. LIKELY DEVELOPMENTS

The Company is continuing to invest and upgrade critical rail infrastructure to ensure a sustainable rail service. The Tasmanian and Australian Governments committed a further investment of \$119,600,000 over four years commencing 1 July 2019. An additional funding commitment by both the Tasmanian and Australian Governments of \$136,000,000 commencing 1 July 2019 was made, with planning underway by the Company.

8. DIRECTORS' INTERESTS

The Directors have no interest in the shares of the Company.

9. INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

Indemnities have been provided to all current Directors and officers of the Company.

Insurance premiums

In 2019-20, the Company has paid insurance premiums of \$25,000 in respect of insurance contracts for Directors' and officers' liability and legal expenses, for current Directors and officers, including senior executives of the Company.

The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company.

10. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report for the financial year ended 30 June 2020.

11. ROUNDING OFF

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



STEPHEN CANTWELL

CHAIRMAN

Dated at Launceston this 4th day of August 2020.

3 August 2020

The Board of Directors
Tasmanian Railways Pty Ltd
11 Techno Park Drive
KINGS MEADOWS TAS 7249

Dear Board Members

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Tasmanian Railway Pty Ltd for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) any applicable code of professional conduct in relation to the audit.

In accordance with the *Corporations Act 2001* a copy of this declaration must be included in the Directors' Report.

Yours sincerely



Stephen Morrison
Assistant Auditor-General Financial Audit Services
Delegate of the Auditor-General

TASMANIAN RAILWAY PTY LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 (\$'000)	2019 (\$'000)
Continuing operations			
Revenue from freight services	A1	36,463	36,222
Grant income for operating activities	A1	10,100	8,100
Grant income for capital works	A1	64	13,496
Other income	A1	11,064	3,551
Finance income		191	14
Total income		57,882	61,383
Loss from continuing operations			
Employee benefits expense	C1	(29,885)	(27,009)
Depreciation and amortisation expense	B2, B3	(8,067)	(9,014)
Impairment expense	B2	(37,147)	(27,186)
Other expenses	A2	(21,731)	(23,319)
Finance expense	A2	(178)	(263)
Loss from continuing operations		(39,127)	(25,408)
Taxation equivalent benefit (expense)	A3	4,159	-
Loss for the year after tax before comprehensive income		(34,968)	(25,408)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	B2	13,862	-
Related tax	A3	(4,159)	-
Total items that will not be reclassified to profit or loss		9,703	-
Total comprehensive loss for the year		(25,265)	(25,408)

This statement should be read in conjunction with the accompanying notes.

TASMANIAN RAILWAY PTY LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 (\$'000)	2019 (\$'000)
Assets			
Cash and cash equivalents		19,046	1,300
Trade and other receivables	B1	5,255	6,673
Inventories	B5	12,203	10,768
Assets classified as held for sale		-	512
Total current assets		36,504	19,253
Property, plant and equipment	B2	113,954	101,290
Intangibles	B3	871	734
Total non-current assets		114,825	102,024
Total assets		151,329	121,277
Liabilities			
Trade and other payables	B4	7,820	4,955
Deferred grant income	B4	608	673
Loans and borrowings	B6	9,080	19,250
Employee benefits	C1	5,469	4,560
Total current liabilities		22,977	29,438
Loans and borrowings	B6	1,826	-
Employee benefits	C1	2,031	1,303
Total non-current liabilities		3,857	1,303
Total liabilities		26,834	30,741
Net assets		124,495	90,536
Equity			
Share capital	D1	460,154	400,729
Reserves	D2	16,587	6,884
Accumulated losses		(352,246)	(317,077)
Total equity		124,495	90,536

This statement should be read in conjunction with the accompanying notes.

TASMANIAN RAILWAY PTY LTD
STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2020

	Note	Share Capital (\$'000)	Asset Revaluation Reserve (\$'000)	Accumulated Losses (\$'000)	Total Equity (\$'000)
At 1 July 2018		387,579	6,884	(291,669)	102,794
Equity contributed	D1	13,150	-	-	13,150
Total comprehensive loss for the year		-	-	(25,408)	(25,408)
At 30 June 2019		400,729	6,884	(317,077)	90,536
At 1 July 2019 (as previously reported)		400,729	6,884	(317,077)	90,536
Adjustment on initial application of AASB 16		-	-	(201)	(201)
Adjusted balances at 1 July 2019		400,729	6,884	(317,278)	90,335
Equity contributed	D1	59,425	-	-	59,425
Total comprehensive loss for the year		-	9,703	(34,968)	(25,265)
At 30 June 2020		460,154	16,587	(352,246)	124,495

This statement should be read in conjunction with the accompanying notes.

TASMANIAN RAILWAY PTY LTD
STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2020

	Note	2020 (\$'000)	2019 (\$'000)
Cash flows from operating activities			
Receipts from customers		43,589	42,293
Compensation monies received		9,000	-
Grants received for operating activities		10,100	8,100
Payments to suppliers and employees		(53,894)	(53,769)
Cash generated from operations		8,795	(3,376)
Interest received		191	14
Interest paid		(176)	(263)
Net cash from/(used in) operating activities	A4	8,810	(3,625)
Cash flows from investing activities			
Purchase of property, plant and equipment		(37,968)	(28,201)
Proceeds from sale of plant and equipment		4	304
Net cash from/(used in) investing activities		(37,964)	(27,897)
Cash flows from financing activities			
Proceeds from borrowings	A4	8,000	19,250
Payment of lease liabilities		(1,275)	-
Repayment of borrowings		(19,250)	(6,000)
Equity contributions	D1	59,425	13,150
Net cash provided by financing activities		46,900	26,400
Net increase/(decrease) in cash and cash equivalents		17,746	(5,122)
Cash and cash equivalents at start of period		1,300	6,422
Cash and cash equivalents at 30 June		19,046	1,300

This statement should be read in conjunction with the accompanying notes.

TASMANIAN RAILWAY PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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TASMANIAN RAILWAY PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Corporate information

Tasmanian Railway Pty Ltd (the 'Company') was incorporated on 4 November 2009 and is a company domiciled in Australia. The address of the Company's registered office is 11 Techno Park Drive, Kings Meadows, Tasmania 7249.

Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board ('AASB'), and the *Corporations Act 2001*.

The financial statements were authorised for issue by the Directors on 4 August 2020.

The financial statements are prepared on the historical costs basis, except for certain non-current assets, available for sale assets and prior year financial instruments that are measured at revalued amounts or fair values. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

All amounts are presented in Australian dollars, which is the Company's functional currency, unless otherwise noted.

Where necessary, comparative figures are adjusted to conform with changes in presentation in the current year.

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and, in accordance with that Class Order, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Key judgements and estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to changes in estimates and assumptions.

Information about each of these areas is set out in Note B2:

- Useful lives of non-current assets. The Company reviews the estimated useful life of property, plant and equipment during each reporting period;
- The Company has impaired all below rail infrastructure assets; and
- The Company's rollingstock assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. The Company engages qualified third-party valuers to perform the valuation. The Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the valuation model.

TASMANIAN RAILWAY PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Significant judgements made in determining the carrying amount of the Company's rollingstock include:

- The valuation is provided in USD which exposes the calculation to foreign exchange fluctuations;
- The assessment of useful life;
- The current market demand for the assets; and
- The location of potential markets for rollingstock.

All of these assumptions include risk that can materially alter the carrying amount of the rollingstock.

Notes to the Financial Statements

The notes to the financial statements include information that is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Company. Information is considered material and relevant if, for example:

- The amount in question is significant because of its size or nature;
- It is important for understanding the results of the Company;
- It helps explain the impact of significant changes in the Company; and
- It relates to an aspect of the Company's operations that is important to its future performance.

The notes have been grouped into sections to help readers understand the financial performance and position of the Company. These sections comprise:

- A: Financial performance
- B: Operating assets and liabilities
- C: People
- D: Capital structuring and financing
- E: Additional information.

Significant changes in the current reporting period

There have been no significant and unusual changes in the operation of the Company during the current reporting period.

Changes in significant accounting policies

The Company initially applied AASB 16 *Leases* from 1 July 2019 using the modified retrospective approach. Under this, the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for prior financial years is not restated. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information. Refer to Notes B2 and B6 for further information and disclosures.

The Company presented right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'loans and borrowing' in the statement of financial position.

In the comparative period, assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

A - FINANCIAL PERFORMANCE

This section provides further information in respect to the financial performance of the Company for the year ended 30 June 2020. The focus is on operating segments, revenue, expenses and cash-flow disclosures. Certain operational expenses such as impairments are disclosed in the notes with the associated operating asset or liability in Section B: 'Operating assets and liabilities'. Employee-related expenses are disclosed in Section C: 'People'.

A1 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable. The following is a breakdown of the Company's revenue from continuing operations for the year.

	2020 (\$'000)	2019 (\$'000)
Operating revenue		
Revenue from freight services	36,463	36,222
Grant income for operating activities		
Tasmanian Government	10,100	8,100
Grant income for capital works		
Tasmanian Government	-	13,432
Australian Government	64	64
	64	13,496
Other income		
Sundry	1,273	2,758
Compensation received	9,000	-
Property rental	791	793
	11,064	3,551

Recognition and measurement

Revenue from the provision of freight services

Revenue from freight services is recognised in proportion to the services rendered. The performance obligation is satisfied once freight has been delivered to the agreed location. Payment terms are negotiated with customers on an individual basis but are typically 14 - 30 days. There are no obligations on the Company in relation to returns, refunds, warranties or related obligations.

Government grants

Government grants assist with the purchase, maintenance and construction of rail network assets.

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss as income in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset unless they have been designated as an equity contribution by the Tasmanian State Treasurer. Where this occurs the funding is allocated directly to 'Share Capital' and is reflected in the Statement of Changes in Equity.

A - FINANCIAL PERFORMANCE

A2 EXPENSES

Loss from continuing operations was calculated after charging the following:

	2020 (\$'000)	2019 (\$'000)
Other expenses		
Maintenance and consumables expense	(6,042)	(9,116)
Inventory obsolescence writedown (Refer Note B5)	(2,633)	-
Fuel expense	(4,062)	(4,484)
Property and lease expense	(1,536)	(1,932)
Administration expense	(3,736)	(3,803)
Profit/(Loss) on sale of disposal of fixed assets	4	(566)
Other expenses	(3,725)	(3,418)
Total other expenses	(21,731)	(23,319)
Finance expenses		
Interest on borrowings	(6)	(263)
Interest on lease liabilities	(172)	-
Total financial expenses	(178)	(263)

Recognition and measurement

Expenses

Expenses are recognised in the Statement of Profit and Loss and Other Comprehensive Income when it is probable that the outflow or the other depletion of future economic benefits has occurred and can be reliably measured.

A - FINANCIAL PERFORMANCE

A3 TAXATION

The Company is subject to the National Tax Equivalent Regime which is broadly based on the provisions of the *Income Tax Assessment Act 1997*.

	2020 (\$'000)	2019 (\$'000)
Tax Equivalent Expense		
Adjustments for prior years	-	-
Deferred tax expense:		
Origination and reversal of temporary differences:		
Increase/(Decrease) in deferred tax liability	234	20
Decrease/(Increase) in deferred tax asset	(11,500)	(7,624)
Adjustments for prior years	-	-
Non-recognition of temporary differences and tax equivalent losses	7,107	7,604
Income tax expense/(benefit) attributable to profit/(loss) before other comprehensive income	(4,159)	-
Tax recognised in other comprehensive income		
Tax (expense) benefit relating to cash flow hedge reserve	-	-
Tax (expense) benefit relating to asset revaluation reserve	-	-
Total taxation equivalent expense/(benefit)	(4,159)	-
Deferred tax recognised directly in equity		
Relating to revaluation of property, plant & equipment	4,159	-
Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income rate		
Loss before tax	(39,127)	(25,408)
Income tax using the domestic corporation tax rate of 30%	(11,738)	(7,622)
Increase in income tax expense due to:		
Non-deductible expenses	4	18
	(11,734)	(7,604)
Add prior year under/(over) provision	-	-
Non-recognition of temporary differences & tax equivalent losses	7,575	7,604
Total taxation equivalent expense/benefit	(4,159)	-

A - FINANCIAL PERFORMANCE

A3 TAXATION (CONT)

Taxation recognition and measurement

Income tax expense comprises current and deferred tax. Current and deferred income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020 (\$'000)	2019 (\$'000)
Deferred tax assets		
Employee benefits	2,241	1,864
Trade and other payables	67	65
Property, plant and equipment	63,295	58,732
Deferred grant income	183	202
Trade and other receivables	52	80
Carried forward tax losses - Revenue losses	29,581	26,034
Carried forward tax losses - Capital losses	-	518
Tax assets	95,419	87,495
Not recognised as not being probable of recovery	(94,925)	(87,350)
Set-off against deferred tax liability	(494)	(145)
Net deferred tax asset	-	-
Deferred tax liabilities		
Inventory	60	81
Trade and other receivables	51	64
Lease liability	383	-
Tax liabilities	494	145
Set-off against deferred tax asset	(494)	(145)
Net deferred tax liability	-	-

A - FINANCIAL PERFORMANCE

A4 CASH FLOWS

The reconciliation of profit for the year to net cash provided by operating activities at the reporting date is as follows:

	2020 (\$'000)	2019 (\$'000)
Cash flows from operating activities		
Loss for the period	(34,968)	(25,408)
<i>Adjustments for:</i>		
Depreciation and amortisation	8,067	9,014
Impairment	37,149	27,186
Amortised grant income for capital works	(64)	(13,496)
Tax benefit recognised	(4,159)	-
Inventory obsolescence writedown	2,633	-
Gain (loss) on disposal of property, plant and equipment	(4)	566
Operating profit before changes in working capital and provisions	8,654	(2,138)
- Increase/(Decrease) in payables	1,901	(98)
- Increase/(Decrease) in employee benefits	1,637	443
- (Increase)/Decrease in receivables	1,418	(1,298)
- (Increase)/Decrease in inventories	(4,800)	(534)
Net cash flows from operating activities	8,810	(3,625)

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

	2020 (\$'000)	2019 (\$'000)
Reconciliation of liabilities from financing activities		
<i>Borrowings</i>		
Opening balance	19,250	6,000
Cash flows - borrowings repaid	(19,250)	(6,000)
Cash flows - cash received	8,000	19,250
Closing balance	8,000	19,250
<i>Lease liabilities</i>		
Opening balance	2,793	-
Lease additions during the year	1,389	-
Lease interest paid	172	-
Less repayments	(1,448)	-
Closing balance	2,906	-

A - FINANCIAL PERFORMANCE

A5 OPERATING SEGMENTS

The Company has elected to provide segment reporting in accordance with AASB 8 *Segment Reporting*. The Company determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (CEO) and the Board of Directors.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment for the benefit of each segment.

The Company has two reportable segments:

Above Rail - This segment relates to the provision of rail freight services in Tasmania.

Below Rail - This segment relates to the management and operation of the rail network and related infrastructure in Tasmania. Inter-segment revenue represents access fees charged to the Above Rail segment in accordance with the *Tasmanian Rail Access Framework Policy*.

Segment	Year ended 30 June 2020			Year ended 30 June 2019		
	Above Rail (\$'000)	Below Rail (\$'000)	Total (\$'000)	Above Rail (\$'000)	Below Rail (\$'000)	Total (\$'000)
External revenues	47,475	10,408	57,883	39,193	22,190	61,383
Inter-segment revenue	-	3,265	3,265	-	3,353	3,353
Interest revenue	88	103	191	6	8	14
Interest expense	82	96	178	121	142	263
Impairment	-	31,703	31,703	-	27,186	27,186
Revaluation decrement	5,444	-	5,444	-	-	-
Depreciation and amortisation	5,693	2,374	8,067	5,226	3,788	9,014
Reportable segment profit / (loss) before income tax	1,133	(40,260)	(39,127)	(1,082)	(24,326)	(25,408)
Taxation benefit	4,159	-	4,159	-	-	-
Reportable segment assets	118,868	13,415	132,283	107,545	12,432	119,977
Add: cash and cash equivalents not allocable to segments			19,046			1,300
Total assets			151,329			121,277
Capital expenditure	7,622	31,290	38,912	2,742	25,097	27,839

Major customers

Revenue from three parties represent approximately 53.99% (2019: 54.24%) of freight services and other income as follows:

	2020 (\$'000)	2019 (\$'000)
- Party 1 (freight services - Above Rail)	9,918	9,601
- Party 2 (freight services - Above Rail)	6,168	6,979
- Party 3 (freight services - Above Rail)	4,752	4,992

B - OPERATING ASSETS AND LIABILITIES

This section analyses the primary elements of the assets used to generate the Company's financial performance and the operating liabilities incurred as a result. Employee-related liabilities are discussed in note C1: 'Employee provisions' and deferred tax asset and liabilities are discussed in note A3: 'Taxation'.

B1 TRADE AND OTHER RECEIVABLES

The composition of trade and other receivables at the reporting date is as follows:

	2020 (\$'000)	2019 (\$'000)
Trade and other receivables		
Trade receivables	4,136	5,352
Sundry receivables	205	700
Prepayments	556	521
GST receivable	359	100
Total trade and other receivables	5,255	6,673

Impairment

The Company recognises impairment allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. When determining whether the credit risk has increased significantly since initial recognition, and when estimating the ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, an informed credit assessment and forward-looking information. The Company's assessment is made on an individual basis.

Recognition and measurement

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs and subsequent to initial recognition are measured at amortised cost using the effective interest method, less any expected credit losses.

The average credit period on freight services is 36 days (2019: 39 days). No interest is charged on trade receivables. Before accepting any new customers, the company conducts credit and reference checks to assess the potential customer's credit quality and defined credit limits by customer.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

B - OPERATING ASSETS AND LIABILITIES

B2 PROPERTY, PLANT AND EQUIPMENT

The reconciliation of the opening and closing balances of property, plant and equipment at 30 June 2020 is as follows:

	Leasehold Improvements (Buildings) at cost	Infrastructure at cost	Plant Equipment & Motor Vehicles at cost	Rollingstock (Refurbished) at fair value	Rollingstock (New) at fair value	Capital Projects work in progress	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Gross carrying amount							
Balance at 1 July 2018							
Gross carrying amount	11,391	265,315	20,078	2,255	98,486	5,629	403,154
Depreciation and impairment losses	(6,635)	(265,315)	(9,374)	(597)	(11,370)	-	(293,291)
Net carrying amount	4,756	-	10,704	1,658	87,116	5,629	109,863
Year ended 30 June 2019							
Opening balance	4,756	-	10,704	1,658	87,116	5,629	109,863
Additions	-	-	507	-	-	25,887	26,394
Transfers from WIP	220	27,186	369	-	159	(27,934)	-
Disposals	-	-	(133)	-	(737)	-	(870)
Depreciation	(912)	-	(1,996)	(123)	(3,880)	-	(6,911)
Impairment loss	-	(27,186)	-	-	-	-	(27,186)
Balance at 30 June 2019	4,064	-	9,451	1,535	82,658	3,582	101,290
Balance at 30 June 2019							
Gross carrying amount	11,611	292,501	20,473	2,255	97,797	3,582	428,219
Depreciation and impairment losses	(7,547)	(292,501)	(11,022)	(720)	(15,139)	-	(326,929)
Net carrying amount	4,064	-	9,451	1,535	82,658	3,582	101,290
Year ended 30 June 2020							
Opening balance	4,064	-	9,451	1,535	82,658	3,582	101,290
Adjustment on initial application of AASB 16	1,228	-	1,347	-	-	-	2,575
Additions	-	-	1,389	512	732	38,982	41,615
Transfers from WIP	-	30,673	144	1,756	6,599	(39,905)	(733)
Disposals	-	-	-	-	-	-	-
Revaluation increment in equity	-	-	439	-	13,424	-	13,863
Revaluation decrement expensed	-	-	-	(1,182)	(4,261)	-	(5,443)
Depreciation	(976)	-	(2,217)	(350)	(3,966)	-	(7,509)
Impairment loss	-	(30,673)	-	-	-	(1,031)	(31,704)
Balance at 30 June 2020	4,316	-	10,553	2,271	95,186	1,628	113,954
Balance at 30 June 2020							
Gross carrying amount	12,839	323,174	21,863	2,271	95,186	2,659	457,992
Depreciation and impairment losses	(8,523)	(323,174)	(11,310)	-	-	(1,031)	(344,038)
Net carrying amount	4,316	-	10,553	2,271	95,186	1,628	113,954

B - OPERATING ASSETS AND LIABILITIES

B2 PROPERTY, PLANT AND EQUIPMENT (CONT)

The Company leases many assets including land and buildings, vehicles, machinery and IT equipment. Information on right-of-use assets is presented below.

Right of use assets	Property (\$'000)	Vehicles (\$'000)	Total (\$'000)
Balance at 1 July 2019	1,244	1,347	2,591
Additions	-	1,389	1,389
Depreciation charge for the year	(262)	(996)	(1,258)
Balance at 30 June 2020	982	1,740	2,722

Recognition and measurement

Rollingstock assets are stated at fair value on the basis of an independent market valuation by external valuation experts. Revaluations will be performed with sufficient regularity, not exceeding a period between revaluations of 5 years, so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. If the rollingstock had been carried at cost, the depreciated carrying value would be \$85,706,000 (2019: \$79,604,000).

Independent valuation rollingstock

An independent valuation of rollingstock assets, which includes locomotives, wagons and rotatable spares, was undertaken by Ernst & Young as at 30 June 2020.

The fair value of rollingstock assets is based on market prices of comparable assets. The revaluation resulted in an upwards adjustment to rollingstock (new) of \$13,863,000 and a downwards adjustment to rollingstock (refurbished) of \$5,443,000.

Any revaluation increase is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss, in which case the increase is credited to profit and loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is recognised in profit and loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Other items of property, plant and equipment, including Right of Use (RoU) assets, are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and, where relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Assets under the amount of \$5,000 are recognised in the income statement at the point of acquisition.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

The Company recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus an initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Depreciation

Depreciation is calculated on the depreciable amount, which is the fair value or cost of an asset, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

B - OPERATING ASSETS AND LIABILITIES

B2 PROPERTY, PLANT AND EQUIPMENT (CONT)

The estimated useful lives for each class of asset, for the current and prior years are as follows:

Class of Asset	Useful Life
Buildings	9 - 33.3 years
Rollingstock - refurbished	3 - 8 years
Rollingstock - new	25 - 30 years
Plant, equipment & motor vehicles	3 - 18 years
RoU asset	Lease term

These estimated useful lives are reviewed at the end of each reporting period.

Infrastructure assets have been fully impaired and will not be depreciated in future years.

The Company is the lessee and operator of the Brighton Transport Hub in Brighton, Tasmania. The land and improvements for the Brighton Transport Hub are owned by the Crown and have been recognised in the financial statements of the Department of State Growth.

Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, capital work in progress and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit' - CGU). The Company has two reportable segments (CGUs) represented by Above Rail and Below Rail.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Fair value measurement

The table below presents the Company's assets measured and recognised at fair value:

Level 2	2020 (\$'000)	2019 (\$'000)
Rollingstock (refurbished)	2,271	1,535
Rollingstock (new)	95,186	82,658
	97,457	84,193

B3 INTANGIBLE ASSETS - SOFTWARE

	2020 (\$'000)	2019 (\$'000)
Software - at cost	9,142	8,458
Accumulated amortisation	(8,271)	(7,724)
	871	734
Carrying amount at the beginning of the period	734	2,404
Additions	683	434
Amortisation	(546)	(2,104)
Carrying amount at the end of the period	871	734

The balance of intangibles is predominantly Train Control and Train Planning & Scheduling software.

Computer software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of computer software over its estimated useful life of four years.

B - OPERATING ASSETS AND LIABILITIES

B4 PAYABLES AND OTHER LIABILITIES

The composition of trade and other payables and other liabilities at the reporting date is as follows:

	2020 (\$'000)	2019 (\$'000)
Trade and other payables		
Trade payables	2,728	2,763
Other trade payables	1,138	853
Accrued expenses	3,954	1,339
Total trade and other payables	7,820	4,955

Recognition and measurement

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

The average credit period on purchase of goods and services (excluding capital works) is 21.67 days (2019: 16.9 days).

The Company has financial risk management policies in place to ensure all payables are paid within the credit timeframe.

The Company's exposure to liquidity risk related to trade and other payables is disclosed in D3 Financial Risk Management Objectives.

	2020 (\$'000)	2019 (\$'000)
Other liabilities		
Deferred Grant Income		
Australian Government capital works funding	608	673
Total Other Liabilities	608	673

B5 INVENTORIES

The composition of inventories at the reporting date is as follows:

	2020 (\$'000)	2019 (\$'000)
Inventories		
Consumables and spare parts - at cost		
Rollingstock, plant and equipment	4,407	5,146
Infrastructure	7,596	5,350
Fuel stock - at cost	200	272
Total Inventories	12,203	10,768

Inventories are measured at the lower of cost and net realisable value. The cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale. During the year a review of obsolete inventory holdings was undertaken. This resulted in an inventory writedown of \$2,632,593 (2019: nil). Inventory items written down were in relation to rollingstock and infrastructure supplies that, due to changes in assets or maintenance standards, are no longer required.

The cost of inventory consumed during the year was \$16,219,000 (2019: \$12,471,000).

B - OPERATING ASSETS AND LIABILITIES

B6 LOANS AND BORROWINGS

The composition of loans and borrowings at the reporting date is as follows:

	2020 (\$'000)	2019 (\$'000)
Borrowings		
Current		
Lease liability	1,080	-
Loan from TasCorp	8,000	19,250
	9,080	19,250
Non current		
Lease liability	1,826	-
Loan from TasCorp	-	-
	1,826	-
Total borrowings	10,906	19,250

	2020 (\$'000)	2019 (\$'000)
Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,182	-
One to five years	1,043	-
More than five years	1,325	-
Total undiscounted lease liabilities at 30 June	3,550	-

The Company recognises a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of fixed lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Other variable components, such as exercise options to extend, are included where it is reasonably certain that the Company is likely to extend.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in assessments of inputs. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Total lease payments of these leases is \$180,000.

C - PEOPLE

This section describes a range of employment and post-employment benefits provided to our people.

C1 EMPLOYEE PROVISIONS

The components of employee provisions at the reporting date are as follows:

	2020 (\$'000)	2019 (\$'000)
Employee provisions		
Current		
Liability for annual leave	3,410	2,902
Liability for long-service leave	2,059	1,658
	5,469	4,560
Non current		
Liability for long-service leave	2,031	1,303
Total employee provisions	7,500	5,863

Recognition and measurement

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. The provision is measured at the present value of management's best estimate of the expenditure required to settle the present obligation.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. TasRail has complied with its obligations under the *Superannuation Guarantee (Administration) Act 1992 (Cth)* in respect of employees of TasRail who are members of complying superannuation schemes.

C - PEOPLE

C2 DIRECTOR AND KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation to key management personnel of the company is set out below:

	Director Remuneration		Executive Remuneration		Consolidated	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Short-term employee benefits	277,796	297,761	1,133,073	1,014,184	1,410,869	1,311,944
Post-employment benefits	26,402	36,872	112,007	98,264	138,409	135,136
Other long-term employee benefits	-	-	76,123	68,678	76,123	68,678
Termination benefits	-	-	-	33,578	-	33,578
	304,198	334,633	1,321,204	1,214,703	1,625,402	1,549,335

Non-executive directors

Non-Executive Directors are appointed by the Governor-in-Council on the joint recommendation of the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed in accordance with the relevant Guidelines for Tasmanian Government Businesses - Board Appointments. The level of fees paid to Non-Executive Directors is administered by the Department of Premier and Cabinet and are additional fees paid in respect of their work on Board committees.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation. No other leave, termination or retirement benefits are accrued or paid to Directors. Directors are entitled to reimbursement of expenses incurred while attending to Board business. Non-executive directors' remuneration is reviewed periodically with increases subject to approval by the Treasurer and Portfolio Minister.

The following tables disclose the remuneration details for each person that acted as a Non-Executive Director during the current and previous financial year. Amounts include all forms of consideration paid or payable:

	Directors' fees \$	Committee fees \$	Superannuation * \$	Other benefits \$	Total 2020 \$
Non-Executive Director - 2020					
S Hogg	58,132	-	5,523	-	63,654
S Cantwell	57,440	8,387	6,254	-	72,081
A Chan	14,013	2,554	1,574	-	18,141
I Dobbs	37,369	8,388	4,351	-	50,107
J Healey	37,369	8,388	4,351	-	50,107
P Mussared	37,369	8,388	4,351	-	50,107

	Directors' fees \$	Committee fees \$	Superannuation * \$	Other benefits \$	Total 2019 \$
Non-Executive Director - 2019					
S Hogg	116,263	-	11,045	-	127,308
S Cantwell	37,369	9,965	4,497	-	51,831
I Dobbs	37,369	9,965	4,497	-	51,831
J Healey	29,529	9,965	12,337	-	51,831
P Mussared	37,369	9,965	4,497	-	51,831

* Superannuation represents employer contributions including amounts salary sacrificed.

C2 DIRECTOR AND KEY MANAGEMENT PERSONNEL COMPENSATION (CONT)

Executive remuneration

The following tables disclose the compensation paid for key management personnel during the current and previous financial year:

Senior executive - 2020	Base salaries	Short term incentive payments **	Superannuation *	Vehicles ****	Other monetary benefits	Other non monetary benefits	Total remuneration 2020	Termination benefits ***	Other long-term benefits **	Total 2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
S Dietrich - CEO	303,464	-	31,591	12,844	-	-	347,899	-	17,863	365,762
S Kerrison - COO	242,977	-	24,975	13,747	-	-	281,700	-	(1,705)	279,994
E Mollison - Manager People & Culture (from 8 July 2019)	150,028	-	14,362	14,577	-	-	178,968	-	10,099	189,066
V Sullivan - Customer & Business Development Manager (from 11 February 2020)	73,446	-	6,977	2,115	-	-	82,539	-	19,339	101,877
N Tomlin - Corporate Affairs and Strategy Manager (from 1 July 2019)	204,457	-	19,547	-	-	-	224,003	-	26,920	250,923
K van der Aa - CFO	205,556	-	21,532	-	-	-	227,088	-	22,947	250,035

Senior executive - 2019	Base salaries	Short term incentive payments **	Superannuation *	Vehicles ****	Other monetary benefits	Other non monetary benefits	Total remuneration 2019	Termination benefits ***	Other long-term benefits **	Total 2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
S Dietrich - CEO	297,261	29,072	31,909	12,843	-	-	371,085	-	44,056	415,141
S Kerrison - COO	236,590	18,788	25,493	13,746	-	-	294,618	-	32,631	327,248
A Vujanovic - GM People & Culture (separated 18 March 2019)	139,941	20,790	18,459	-	-	-	179,190	33,578	(29,156)	183,612
E Mollison - Acting Manager People & Culture (from 19 March 2019)	29,434	-	2,796	-	-	-	32,231	-	4,309	36,540
K van der Aa - CFO (from 19 Sept 2018, Acting CFO until then)	195,884	19,834	19,606	-	-	-	235,324	-	16,837	252,161

* Superannuation represents employer contributions including amounts salary sacrificed.

** Movements in annual leave and long-service leave accruals are included in the table above in Other Long-term Benefits.

*** Short-term incentive payments are reflected in the year the specified performance goals are achieved, and recorded on an accruals basis.

**** Termination benefits represent annual leave, long-service leave and salary in lieu of notice paid on termination.

***** Vehicles represents amounts included as part of total remuneration.

C2 DIRECTOR AND KEY MANAGEMENT PERSONNEL COMPENSATION (CONT)

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines. Under these Guidelines, remuneration bands for Chief Executive Officers (CEOs) are determined by the Government Business Executive Remuneration Panel and reflect the principles outlined in the Guidelines and broadly align with State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's salary.

The CEO is appointed by the Board. The Board consults with the Government Business Executive Remuneration Panel when determining the CEO's remuneration package.

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long-service leave, vehicle and salary sacrifice provisions. In addition to their salaries, the Company also provides non-cash benefits to its senior executives, and contributes to a post-employment defined contribution superannuation plan on their behalf.

The performance of each senior executive, including the CEO, is reviewed annually which includes a review of their remuneration package. The terms of employment of each senior executive, including the CEO, contain a termination clause that requires the senior executive or the Board to provide a minimum notice period of up to six months prior to termination of the contract. While not automatic, contracts can be extended.

No key management personnel appointed during the period received a payment as part of their consideration for agreeing to hold the position.

Short-term incentive payments

The Board sets fixed performance targets with goals and indicators aligned to the creation of value.

Short-term incentive payments are based on each senior executive meeting agreed performance objectives which covered a mix of company targets linked to financial, safety and operational results and personal objectives tailored to each position for the previous financial year. Amounts paid to each executive are outlined in the table above and were reflective of performance against injury rates, derailments, significant incidents, financial performance against budget, delivery of key capital projects, development of key strategies in Human Resources and Leadership development, business growth and commercial sustainability. These payments are also subject to Board discretion and are reported on an accruals basis.

Termination benefits

Termination payments during the prior year were for A Vujanovic. A Vujanovic separated on 18 March 2019 and was paid \$33,578 representing the balance of accrued leave entitlements (\$20,788), plus payment in lieu of notice (\$12,790).

Acting arrangements

When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are considered members of key management personnel when acting arrangements are for more than a continuous period of one month.

D - CAPITAL STRUCTURING AND FINANCING

As a result of its operations, the Company is exposed to multiple forms of risk. This section sets out the nature of the significant financial risks and their quantification and management. It also sets out the strategies and practices the Company uses to minimise its exposure to these risks.

D1 CAPITAL MANAGEMENT

The capital base of the Company has been contributed by the Australian and Tasmanian Governments since commencement. The Company will continue to depend upon these contributions to maintain creditor and market confidence and to sustain future operation of the business.

	2020 (\$'000)	2019 (\$'000)
Opening balance - Two fully paid ordinary shares	400,729	387,579
Australian Government Capital Investment	16,950	13,150
Tasmanian Government Capital Investment	30,475	-
Tasmanian Government Other contribution	12,000	-
Closing Balance - Two fully paid ordinary shares	460,154	400,729

This is funding provided to the Company which has been formally designated as equity in accordance with the accounting policy in A1.

D2 RESERVES

	2020 (\$'000)	2019 (\$'000)
<i>Asset revaluation reserve - rollingstock</i>		
Opening balance	6,884	6,884
Asset revaluation increment	13,862	-
Tax effect arising on asset revaluation	(4,159)	-
Closing balance	16,587	6,884
Total Reserves	16,587	6,884

D3 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company is exposed to a number of financial risks including credit risk and liquidity risk.

Credit risk

Credit risk is the risk of loss to the Company if a customer or counterparty fails to meet its contractual obligations. The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's policy only allows investment and cash holdings to be deposited with major Australian financial institutions.

D - CAPITAL STRUCTURING AND FINANCING

D3 FINANCIAL RISK MANAGEMENT OBJECTIVES (CONT)

Trade receivables consist of a limited number of customers based in Australia. Ongoing credit evaluation is performed on the financial condition of these counterparties.

The ageing of trade receivables at the reporting date was:

	2020 (\$'000)	2019 (\$'000)
Not past due	3,201	4,219
Past due 0-30 days, but not impaired	832	1,044
Past due 31-60 days	28	76
Past due more than 60 days	75	13
Total	4,136	5,352

Refer to Note B1 for details of the Company's policy relating to impairment of receivables. The Company has assessed the debts past due and determined that a loss allowance for Expected Credit Losses (ECLs) is not necessary at reporting date.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity by maintaining adequate cash reserves and committed undrawn debt facilities. Refer also to E9 Economic Dependency.

The following are the carrying amounts and contractual maturity dates of financial liabilities:

	2020 (\$'000)	2019 (\$'000)
Financial liabilities		
Trade and other payables - payable in 6 months or less	7,072	4,955
Borrowings - payable in 12 months or less	8,000	19,250
Lease liabilities - payable in 12 months or less	1,080	-
Lease liabilities - payable in greater than 12 months	1,826	-
	15,072	24,205

Undrawn financing facilities

The Company had access to the following undrawn and committed financing facilities at the end of the reporting period:

	2020 (\$'000)	2019 (\$'000)
Corporate charge card facility	197	184
Borrowings	12,000	750
	12,197	934

The TasCorp borrowing facility is secured by way of a first ranking fixed and floating charge over the assets of the Company and a Letter of Comfort from the Tasmanian Treasurer. Interest is payable monthly in arrears at a variable rate which is determined at the time of the drawdown of the facility.

As part of the Government's response to the COVID-19 pandemic, the Treasurer has ensured that all Government businesses have access to sufficient funds. On 15 June 2020 the Treasurer provided explicit support to the Tasmanian Public Finance Corporation for TasRail's borrowing limit of \$20 million.

E - ADDITIONAL INFORMATION

This section includes additional information that is required by accounting standards.

E1 CAPITAL EXPENDITURE COMMITMENTS

	2020 (\$'000)	2019 (\$'000)
Capital expenditure commitments		
Above Rail	-	-
Below Rail	22,203	10,390
	22,203	10,390

E2 AUDITOR'S REMUNERATION

	2020	2019
Audit services		
Auditors of the Company:		
Tasmanian Audit Office		
Audit the financial report	56,930	53,870
	56,930	53,870

E3 DIVIDENDS

No dividends were proposed or paid by the Company during either year.

E4 CONTINGENCIES

Under the terms of the Lease from the Minister for Infrastructure for the Rail Corridor and associated infrastructure, the Company is responsible for remediation of any environmental obligations that may become apparent as a result of the Company's operations or past operations of the network. There were no new environmental liabilities identified at balance date that would have a material effect on the Company's Financial Report at 30 June 2020. If significant environmental liabilities are identified in the future, relating to the period prior to the commencement of the Company, the Company would require financial support from the Tasmanian Government to fund the remediation.

E5 SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

E6 TRANSACTIONS WITH OTHER RELATED PARTIES

There were no transactions with related parties.

E7 ULTIMATE OWNER

The ultimate owner of the Company is The Crown in the Right of Tasmania.

E - ADDITIONAL INFORMATION

E8 OVERSEAS TRAVEL

Overseas travel undertaken by the Directors, the Chief Executive Officer and other employees of the Company was as follows:

	2020		2019	
	Total Trips	Total Cost	Total Trips	Total Cost
Overseas travel by the Directors and the Chief Executive Officer	-	-	-	-
Overseas travel for other employees	-	-	5	66,024

The overseas travel for employees in 2019 related to the procurement of cement wagons from China, as a result of the Devonport cement train derailment, and attendance at a rail conference and site visit in NZ. Multiple trips to China were required to comply with that country's visa requirements.

E9 ECONOMIC DEPENDENCY

The Company depends on funding from the Tasmanian Government to continue operating as a viable entity in carrying out its normal activities.

E10 NEW ACCOUNTING STANDARDS

Adopted in 2019-20

Leases

The Company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated. The Company presented right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'loans and borrowing' in the statement of financial position.

In the comparative period, assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

On transition to AASB 16, the Company recognised an additional \$2,575,000 in right-of-use assets and \$2,793,000 of lease liabilities, recognising the difference in retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.6%.

	\$ '000
Operating lease commitment at 30 June 2019 as disclosed in the financial statements	2,848
Recognition exemption for short-term and low-value assets	(543)
Extension of lease terms	987
Impact of discount rate	(553)
Impact of rental increases	54
Lease liabilities recognised at 1 July 2019	2,793

Not yet adopted

AASB 1059 Service Concession Arrangements: Grantors

This standard is applicable for reporting periods beginning on or after 1 January 2019. It will have no impact on the transactions and balances recognised in the financial statements, as the operational arrangements of TasRail do not involve any concession arrangements.

TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2020

In the opinion of the Directors of Tasmanian Railway Pty Limited ('the Company'):

(a) the financial statements and notes, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in the 'Basis of Preparation';

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. The Directors draw attention to note E9 which includes a statement regarding the Company's dependence on government contributions; and

(d) the Directors have been given the declarations as set out in S295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the Directors:



STEPHEN CANTWELL

CHAIRMAN

Dated at Launceston this 4th day of August 2020.



Independent Auditor's Report

To the Members of Tasmanian Railway Pty Ltd

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the Tasmanian Railway Pty Ltd (the Company) which comprises the statement of financial position as at 30 June 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In my opinion, the accompanying financial report of the Company is in accordance the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (Including the Independence standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

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To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
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I confirm that the independence declaration required by the *Corporations Act 2001*, was provided to the directors on 3 August 2020 and is included in the Directors' Report.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<p>Valuation of rollingstock assets <i>Refer note B2</i></p> <p>The Company's rollingstock (both new and refurbished) represents the majority of Property, plant and equipment and includes locomotives and wagons. The locomotives and wagons are measured at fair value based on an independent valuation and the aggregate carrying value was \$97.46m at 30 June 2020.</p> <p>The fair value valuation and impairment assessment are dependent upon significant judgement by the valuer and management, with movements in rollingstock values potentially having a significant impact on the Company's financial position and results.</p> <p>In estimating the value of the locomotives and wagons, the valuer used market prices for assets that were similar in use, type and condition. Market prices were determined in United States Dollars and then converted to Australian Dollars using an exchange rate current at the time of the valuation. The valuer also considered the cost of necessary modifications and the impact of time and depreciation on the market prices.</p> <p>In 2019-20, a comprehensive valuation report was obtained from external independent valuers, with the resulting valuation adopted by directors.</p>	<ul style="list-style-type: none"> • Assessing the scope, expertise and independence of experts engaged to assist in the valuations. • Evaluating the appropriateness of the valuation methodology applied to determine fair values. • Critically assessing assumptions and other key inputs in the valuation model, including corroboration of assumptions to external data. • Testing, on a sample basis, the mathematical accuracy of the valuation model's calculations. • Evaluating the adequacy of disclosures made in the financial report, for compliance with Australian Accounting Standards.

This is a key audit matter due to the high dollar values involved together with the inherent subjectivity of key inputs into the valuation.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report for the year ended 30 June 2020, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Company'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 conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors 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.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Stephen Morrison
Assistant Auditor-General Financial Audit Services
Delegate of the Auditor-General

Tasmanian Audit Office

5 August 2020
Hobart

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CUSTOMER VALUE PROPOSITION

TasRail is the trusted provider of safe and dependable rail logistics solutions for Tasmanian industry. TasRail's infrastructure advantages, along with a culture that is focused on its customers, make it an ideal partner for existing and potential clients from key heavy industries throughout the State.

TASRAIL PROVIDES INDUSTRY:



Long-term business partnerships providing surety of rail haulage capacity and bulk shiploading services;



The ability to haul heavyweight and dangerous goods containers as well as bulk cargoes to reduce total supply chain costs;



Innovative and progressive Tasmanian rail transport solutions across all major freight sectors for containers, bulk and forestry freight;



Opportunities to campaign in large volumes of freight to meet customer requirements;



Connectivity with a statewide network of rail terminals that interface with major ports, freight precincts and industries;



Reduced exposure to heavy vehicle accident risk and compliance with Chain of Responsibility requirements of the National Heavy Vehicle Regulator;



Seamless connectivity with Tasmania's only open access bulk minerals shiploader;



Valuable safety and environmental benefits; and



Operational reliability, safety and simplicity across all heavy freight modes, including road, port and shipping operations;



Dedicated industry specialised customer account and service management teams engaged to provide leading-edge customer outcomes.



