

ANNUAL REPORT

2018-19





South Line

Approximately 175 kilometres running from the Transport Hub at Brighton to Western Junction.

Derwent Valley Line

Approximately 71 kilometres running from the Bridgewater Junction to the Florentine Rail Yard west of Maydena. The section of line between Boyer and Maydena is currently non-operational.

Western Line

Approximately 176 kilometres commencing at the East Tamar Junction and running to Burnie via Western Junction. The section of the line that runs between Burnie and Wiltshire is currently non-operational.

Melba Line

Approximately 130 kilometres running from the Port of Burnie to Melba Flats.

Bell Bay Line

Approximately 57 kilometres running from the East Tamar Junction to the Port of Bell Bay.

Fingal Line

Approximately 55 kilometres running from Conara Junction to Fingal.

Hobart Line

Approximately 21 kilometres between Hobart and the Bridgewater Junction. This line is currently non-operational.

North East Line

Approximately 73 kilometres running from Coldwater Creek Junction to Tonganah. This line is currently non-operational.

Rail Loading Points Ports Non-operational Line



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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 focussed on its customers, make it an ideal partner for existing and potential clients from key heavy industries and freight forwarders throughout the State.

TASRAIL PROVIDES INDUSTRY:



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



Innovative rail transport solutions across major freight sectors;



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



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



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



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



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



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



Valuable safety and environmental benefits;



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

VISION, PURPOSE AND VALUES

After an extensive consultation period with all employees, TasRail recently reset its Vision, Purpose and Values. The original Vision and Values had been in place since TasRail's inception in 2009. Noting the maturing of the business and its establishment as a major mover of freight, the decision was made to refresh the statements.

VISION

Tasmania's trusted provider of safe and dependable rail logistics solutions.

PURPOSE

Maximising the benefits of sustainable rail logistics services for Tasmania.

VALUES



SAFETY

We will never compromise on safety. We work inside the SafetyCircle™ and we care about each other. We recognise that people need mental and physical health to thrive. Our equipment and systems will ensure outstanding and sustainable Safety, Health and Environment (SHE) performance.



INTEGRITY

We do what we say we will do. We are fair, ethical, and honest and we take responsibility. We are transparent and we trust each other.



RESPECT

We are inclusive and value each other's differences and ideas. We embrace diversity. We listen to each other. We know we will only achieve great results if we "are one" and work as a team. We respect and care for our people, our environment, our customers and the community.



BEING REMARKABLE

We are passionate about our success. We continually strive for excellence and performance. We are innovative and energetic. We demonstrate leadership and drive change. We will make a difference and be remarkable!

STATEMENT OF CORPORATE INTENT

TasRail measures its performance against a range of financial and non-financial targets. These targets are agreed between the Company and its Shareholder Members prior to each financial year and are published in an annual Statement of Corporate Intent. The table below illustrates TasRail's actual performance against the agreed measures and targets for 2018-19.

Performance Target	Target Result 2018-19	Actual Result 2018-19	Comments
Lost-Time Injury Frequency Rate *	0.0	0.0	TasRail is committed to safety excellence and to ensuring all employees and contractors go home safe and well every day. In 2018-19 TasRail continued its record of zero Lost-Time Injuries.
Recordable Injury Frequency Rate **	7.0	2.0	The recordable injury frequency rate also continued to be well below the target result.
Freight Availability (General Intermodal)	98 per cent	95.3 per cent	This financial year's average Freight Availability (FA) performance reflects the environment in which TasRail operates, with FA impacted by unforeseen events including bushfires, new customer operations and export market challenges.
Mainline Derailments	0	2	Two mainline derailments occurred in 2018-19. The first, very well documented, occurred in Devonport in September 2018. The second in May 2019, was a low-speed and low-impact incident approaching a yard at Conara.
Below Rail Infrastructure Cost (Per Track Kilometre)	\$19.0 thousand	\$20.4 thousand	Infrastructure maintenance costs were greater than planned due to the track repairs required as a result of the derailments.
Customer Revenue	\$36.6 million	\$36.2 million	TasRail achieved a 7.4 per cent increase in customer revenues compared to the previous financial year, but fell short of its ambitious 2018-19 target.
Capital Spend	\$32.1 million	\$27.8 million	Capital spend was less than planned, but in line with revised forecasts. Importantly, milestones for the jointly funded Infrastructure Investment Program (IIP) were achieved.
EBITDA (Consolidated after BRIC ***)	\$0.4 million	\$(1.9) million	EBITDA and Above Rail Net Profit results were significantly impacted by the costs incurred as a result of the derailments. Excluding the impact of the derailments, Above Rail returned a modest \$185k Net Profit.
Above Rail Net Profit (Loss)	\$1.2 million	\$(1.1) million	

* Lost-Time Injury frequency rate is defined as the sum of lost-time injuries per million work hours

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

*** BRIC – Tasmanian Government Below Rail Infrastructure Contribution

2018-19 ACHIEVEMENTS



WINNER OF THE WORKSAFE TASMANIA AWARD FOR EXCELLENCE IN WORK HEALTH AND SAFETY CULTURE – LARGE BUSINESS



COMMENCED PROVIDING A **6TH SERVICE** PER WEEK FOR FORESTRY CUSTOMERS FROM BRIGHTON TO BELL BAY



TRANCHE ONE OF THE TASMANIAN FREIGHT RAIL REVITALISATION PROGRAM COMPLETED **ON TIME AND ON BUDGET**



OCTOBER 2018 – **7,798 RECORD** TEUs* HAULED
*Twenty-Foot Equivalent Units



23% REDUCTION
IN TEMPORARY SPEED RESTRICTIONS



RECORD TONNES SHIPLOADED
UP 22%



RECORD FORESTRY TONNAGES
UP 25%



ZERO
LOST-TIME INJURIES

CHAIRMAN'S REMARKS



TasRail was presented with significant challenges and opportunities in 2018-19. It is a testimony to the resolve and dedication of our staff that both were met with the same unwavering focus on safety and a determination to service Tasmanian industry.

With a strong Tasmanian economy, buoyant resources sector and industry demand for rail services at record highs, TasRail set a number of freight milestones during the year:

51,704 GENERAL INTERMODAL CONTAINERS HAULED;

**THE LARGEST NUMBER OF CONTAINERS HAULED IN A SINGLE MONTH
(7,798 TEUs IN OCTOBER 2018);**

22 PER CENT INCREASE IN BULK MINERALS SHIPLOADING; AND

25 PER CENT INCREASE IN LOG TONNAGES.

These are pleasing milestones in the face of the operational and customer challenges that have affected TasRail's financial performance. The derailment at Devonport in September 2018 caused significant disruption, impacting TasRail's Above Rail business. Likewise, a number of our key customers faced challenges during 2018-19. To ensure its long-term sustainability, TasRail will continue to embrace new projects and business opportunities to diversify and grow its customer base.

The continuing investment by the Tasmanian and Australian governments in the State's track infrastructure is recognition of the important role that freight rail logistics plays in Tasmania's heavy industry. TasRail completed Tranche One (\$119.6 million) of the Tasmanian Freight Rail Revitalisation Program on budget and on time (30 June 2019). The benefits of that four-year program are evident, with the number of mainline derailments falling to record lows and freight volumes reaching record highs during Tranche One influenced by customer confidence.

Tranche Two will see a further \$119.6 million invested over four years from 1 July 2019, with civil construction contractors at work across Tasmania on the first day – continuing to deliver network renewal projects to reduce 'single points of failure', which are a safety risk in any rail network. The condition of the network will continue to improve during the Tranche Two program, and TasRail accepts the challenge of using this further investment to leverage the performance of its Above Rail business.

The Tasmanian and Australian governments made a further funding commitment of \$68 million each in their 2019-20 budgets to Tranche Three of the Tasmanian Freight Rail Revitalisation Program. TasRail is currently assessing the balance between network renewal and strategic projects that would create a step change in safety and productivity.

TasRail is more than railway; it provides logistics solutions to industry. This includes owning and operating the Bulk Minerals Export Facility and Shiploader at the Burnie Port. The Shiploader receives ore and mineral concentrates by road and rail from west coast mines.

The Shiploader has now been in service for more than 50 years. TasRail has been preparing for its replacement to ensure the west coast mines (current and potential) have access to a productive, low-cost and highly reliable means to export their products. It is the only bulk minerals Shiploader available to multiple mining companies. TasRail currently holds shiploading contracts with multiple customers and continues to receive inquiries from proponents of new projects. By way of example, the recently reopened Hellyer Gold Mine would not have proceeded without TasRail's bulk minerals Shiploader.

Recognising the importance of the Shiploader, the Australian Government committed \$40 million to its replacement during the 2019 election campaign. TasRail is working with industry and TasPorts to determine an optimal location and operational specifications for the new bulk shiploader.

TasRail is now a multifaceted freight and infrastructure business responsible for delivering capital programs and for servicing industry. However, fit-for-purpose infrastructure is only as good as the people operating it. TasRail is continuing to sharpen its focus on improving the proficiency of its leaders and managers. The Executive Team was reduced in size during 2018-19 to improve accountability and streamline internal communications. Investment in the leadership capability of mid-level managers continues. TasRail is also developing a Diversity Strategy and is committed to its implementation in a timely manner. We believe the benefits of a diverse organisation are critical to tackling the challenges and opportunities that lie ahead.

With commitments from the Tasmanian and Australian governments for network renewal, strong industry demand and a tenacious workforce, the obligation is now on TasRail to maximise returns on investment. This will be achieved by providing high levels of service to both our long-term and new customers while maximising the performance of the Above Rail business. That is our commitment.

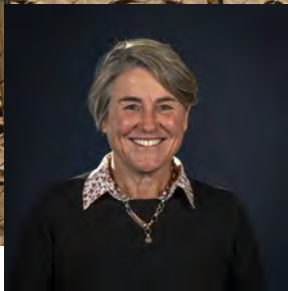
Finally, I would like to thank our Shareholding Ministers for their ongoing support, and my fellow Directors, CEO Steven Dietrich and all the TasRail staff and contractors for another year of hard work servicing the rail and logistics needs of Tasmanian industry.



SAMANTHA HOGG
CHAIRMAN



BOARD OF DIRECTORS



SAMANTHA HOGG

Samantha has been a Non-Executive Director of TasRail since August 2015. She has extensive executive management experience across the resources and infrastructure sectors, as well as in Australian and international finance, marketing and strategic projects. Samantha was previously Chief Financial Officer of Transurban. Samantha is Chair of Tasmanian Irrigation, Non-Executive Director of Hydro Tasmania, Non-Executive Director of MaxiTRANS Industries Limited, Member of the Australian Renewable Energy Agency Board, Member of the Infrastructure Australia Board and an AICD Fellow.



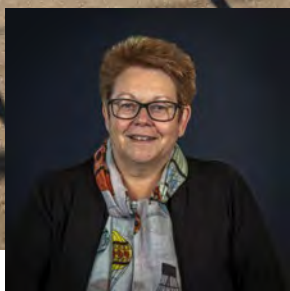
STEPHEN CANTWELL

Stephen Cantwell was appointed to the TasRail Board in December 2016. He was previously Executive General Manager Mineral Processing at Bradken, and CEO of Queensland Rail. He continues to work with a range of global corporations and governments to advise in the areas of transport, logistics and infrastructure. Stephen is also a Fellow of the Chartered Institute of Transport and Logistics, a Fellow of the Centre for Integrated Engineering Management, and a Graduate Member of the AICD.



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, establishing his own consulting business, managing a number of the UK's private rail franchises, and being appointed Chairman and CEO of Public Transport Victoria. Ian holds a number of private and public sector board appointments in the transport sector and is currently global Deputy President of the International Association of Public Transport.



JANINE HEALEY

Janine Healey was appointed to the TasRail Board in July 2017. She is a Chartered Accountant with more than 30 years' experience. She has been a Director of Hydro Tasmania, Port of Launceston Pty Ltd and the Inveresk Railyard Management Authority. Janine is currently Treasurer and Board Member of the Launceston Chamber of Commerce and FermenTasmania, Board Member of Football Tasmania and Treasurer of the Unconformity, a Fellow of the AICD, a Fellow of 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 the CEO of Retirement Benefits Fund. Philip is a Director of Hobart International Airport, a Director of the National Trust (Tas.), Chair of the Tasmanian Traineeships and Apprenticeships Committee, Vice-President of the Australian Risk Policy Institute, Associate Director of TFG International and a member of the Tasmanian Heritage Council. He is a Fellow of the AICD and CPA Australia.

CEO'S REMARKS

What has become clear during my first full year as Chief Executive Officer is that TasRail is much more than a rail business. Thanks to our hardworking staff and contractors and the investment by the Tasmanian and Australian governments, we are now a multifaceted freight and infrastructure business upon which Tasmanian industry relies for logistics services.

This 'coming of age' coincides with a mixed year for TasRail. On the one hand numerous freight volume records were broken; on the other hand our revenue and Above Rail profitability were impacted by a number of unforeseen events. From bushfires, to snow, new customer operations and export market challenges, we have weathered the storm alongside our customers, supporting Tasmanian industry in the fashion that we have become known for. I have no doubt that we will see this support returned through increased freight rail opportunities during 2019-20.

In the mining sector, TasRail began providing bulk minerals storage and shiploading services for the reopened Hellyer Gold Mine. The first material was delivered by road to our Bulk Minerals Export Facility in October 2018, and we continue to work in partnership to grow the project. At peak production, Hellyer is expected to be one of the largest individual freight operations in Tasmania, which will require the efficiency and safety of a freight rail supply chain.

Demand from the forestry industry continues to increase, and TasRail is working with existing and future customers to increase available capacity. Since resuming hauling logs in 2013, TasRail has transported more than half a million tonnes for industry to Bell Bay. During 2018-19, TasRail successfully implemented plantation log haulage, expanded to three customers and added a weekly sixth service, resulting in a record of 118,000 tonnes hauled (a 25 per cent increase from 2017-18).

We are forecasting log haulage from Brighton to increase to between 150,000 and 160,000 tonnes in 2019-20. Due to industry demand, we also plan to begin operations for a fourth customer from Brighton in late 2019.

The culmination of considerable planning and industry liaison also saw TasRail begin redeveloping the Parattah Log Siding during 2018-19. On track to open towards the end of 2019, the siding presents a commercially viable alternative for forestry customers (new and existing) coming out of the State's south-east and industry has identified start-up volumes of ~100,000 tonnes per annum.



Solutions like these, tailored for industry, are what will put us on track to further grow the profitability of TasRail's commercial segment and ensure business sustainability. They underscore the importance of freight rail logistics to industry.

TasRail recorded revenue growth of \$2.5 million (7.4 per cent) in 2018-19, with forestry and shiploading volumes the main drivers of this result. However, despite this increase in revenue, profit was severely impacted by the Devonport derailment. Excluding the direct financial impact of the derailment, a modest Above Rail net profit of \$185,000 was achieved.

A zero harm environment is TasRail's first priority – the safety of our staff, contractors, customers and the communities in which we operate is paramount.

Disappointingly, TasRail experienced two mainline derailments in 2018-19. The first has been well documented and occurred in Devonport in September 2018 when a train was involved in a forced derailment near Formby Road.

The incident was very serious and remains subject to several investigations. TasRail continues to actively cooperate with the Australian Transport Safety Bureau and the Office of the National Rail Safety Regulator. We continue to implement learnings from the investigations to date and aim to ensure that this type of incident does not occur again. It is regrettable that two members of the public received minor injuries caused by debris from the derailment.

The second incident occurred in May 2019. It was caused by a single component failure in a set of points accessing our yard at Conara. Although a low-speed and low-impact incident, it still constitutes a 'mainline derailment' under TasRail's reporting standards. Notwithstanding these two incidents, the severity and frequency of derailments are at record lows, and rail remains the safest way to manage freight for Tasmanian heavy industry (2.94 million tonnes during 2018-19).

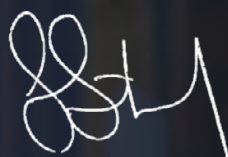
On a more positive note, TasRail's ongoing cultural safety program (SafetyCircle™) again saw TasRail record zero lost-time injuries in 2018-19. Our SafetyCircle™ program puts safety at the core of every TasRail activity and a TasRail employee has not experienced a lost-time injury since August 2016. TasRail's SafetyCircle™ program was acknowledged at the 2018 Worksafe Tasmania Awards, receiving the large business award for Excellence in Work Health and Safety Culture.

However, like any business, these milestones cannot be achieved without our most valuable asset – our people. I would like to thank our highly valued staff for helping us to grow and transition as an organisation. From our recently appointed cohort of Rail Operators through to the more than 40 staff with over 30 years' experience, we would not be in this position without their collective professionalism, skills and enthusiasm.

A modern freight and infrastructure business needs a Vision and Values statement that embraces who it is and what it strives to be. We have recently reset ours based on some fantastic feedback from our team. I am very proud of the result and it sets our course for the coming years. In that same vein we are also shaping our Diversity Strategy.

As noted by the Chairman, the Tasmanian and Australian governments are continuing to invest to ensure that Tasmanian industry has a fit-for-purpose freight railway to reach its export markets. I would like to acknowledge the importance of this investment for our customers and also the highly skilled civil construction industry partnering with TasRail to successfully deliver these projects. To the TasRail Chairman and Directors, thank you for your support, encouragement and guidance.

With record demand for our services, strong infrastructure investment and our committed team, there is much cause for optimism in the coming years.



STEVEN DIETRICH
CEO



EXECUTIVE TEAM





CHIEF EXECUTIVE OFFICER
STEVEN DIETRICH

Corporate Relations and Strategic Development

This team incorporates the functions of business development, customer account management, customer service delivery, media, marketing and communications. It is also responsible for managing and facilitating stakeholder and community relations and reputation management.

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.



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 and ensuring safe and authorised access to the network.

Asset Management

Asset Management maintains the rail network and infrastructure such as level crossings, bridges, culverts and tunnels. It also maintains the rollingstock, facilities and TasRail's vast rail land corridors.

Business Improvement

Business Improvement is responsible for the oversight of the Tasmanian Freight Rail Revitalisation Program, capital projects and safety. There is also a strong focus on cost control.



TASMANIAN FREIGHT RAIL REVITALISATION PROGRAM

Tranche One: Strategic Achievements

Tranche One directly and indirectly contributed to:

- Record freight volumes;
- Record safety statistics (reduction in derailments);
- Record network performance (reduction in Temporary Speed Restrictions).

As part of Tranche One, TasRail:


- Addressed a number of sections of track on the North-West Coast that were subject to coastal erosion – while working with the community to protect areas of significant environmental importance (such as penguin rookeries);
- Worked with an Australian steel manufacturer for a further delivery of redesigned sleepers that now have a 30 per cent greater resistance against track buckling than the original sleeper design; and
- Responded to industry demand by commencing the reconstruction of the Parattah Log Siding.

Tranche One of the Tasmanian Freight Rail Revitalisation Program (TFRRP), was completed on time and on budget in 2018-19. The four-year \$119.6 million program of work was jointly funded by the Tasmanian and Australian governments under the federal Infrastructure Investment Program (IIP).

The TasRail team is proud to have delivered this milestone program in partnership with Tasmania's highly skilled contractors, bringing economic and infrastructure benefits to industry and communities throughout the State.


Over the final twelve months (2018-19) of Tranche One, TasRail completed a number of key Below Rail projects that are critical to the Tasmanian Rail Network including the:

- Replacement of aged rail, sleepers and turn-outs;
- Upgrading road surfaces on key level crossings;
- Replacement of track support formation;
- Renewal and strengthening of bridges; and
- Reconstruction of a log loading facility at Parattah.



“ The safe, on time and on budget delivery of Tranche One has been a testament to the combined efforts of the TasRail IIP Team and the very proactive Tasmanian contractors who carry out the works. ”

GILBERT NESS
TASRAIL CAPITAL PROGRAM MANAGER



“ Tranche Two will build on the successes and learnings of Tranche One and will yield even more benefit to TasRail and the Tasmanian businesses that choose to use rail as their preferred logistics solution. ”

STEPHEN KERRISON
TASRAIL CHIEF OPERATING OFFICER

The commitment by the Tasmanian and Australian governments to a fit-for purpose freight rail system has provided significant benefits to many of the State's major industries. Tranche One enabled TasRail to achieve a number of safety and freight records, confirming rail freight logistics as the mode of choice for many of Tasmania's heavy industries and freight forwarders. As a result, TasRail, its customers and civil contractors were also very pleased when the Federal Minister for Infrastructure issued the formal approval instruments for Tranche Two of the Program in early 2019.

Tranche Two, underway as of July 2019, will continue to improve the condition of the network by targeting potential single points of failure (that can result in incidents and business disruption) and improve the network's condition and age.

Such is the confidence in TasRail's ability to deliver quality projects on time and on budget for the benefit of the broader economy, the Tasmanian and Australian governments committed to Tranche Three of the Tasmanian Freight Rail Revitalisation Program in their 2019-20 Budget Papers. Scoping and planning for this milestone commenced in early 2019.



“ Gradco continues to grow our rail capability across all aspects of project delivery and are committed to strengthening an already strong relationship with TasRail. We are excited to be involved with the ongoing Infrastructure Investment Program. ”

TOM DIPROSE
DIRECTOR GRADCO

“ Albeit, the TasRail and HAY Rail relationship is in the embryonic stage, HAY Rail management and staff have intimate working knowledge of the network. We hope to continue providing rail maintenance services on a mutually beneficial collaborative approach with TasRail, where cost effective productivity is only surpassed by the strict acknowledgement and adherence to safety protocols and procedures. ”

MATT HAY
DIRECTOR HAY RAIL

“ VEC has been working together with TasRail and delivering projects for over 20 years. In 2015 the single largest tender of the \$119.6 million Tasmanian Freight Rail Revitalisation Project was awarded to VEC. Since then, we have had the pleasure of successfully delivering numerous packages of these works for TasRail. Our collaborative approach has seen us invest in local people and plant. We have also had the opportunity to embrace the introduction of the SafetyCircle™ to our organisation. ”

JON DREW,
STATE MANAGER (TASMANIA) VEC



TRANCHE ONE: FAST FACTS

SOME 114,500 SLEEPERS AND 120,000 METRES OF RAIL INSTALLED

44 TRACK TURNOUTS (OR POINTS) ON THE NETWORK REPLACED

7 BRIDGES STRENGTHENED/RENEWED

30 LEVEL CROSSINGS ROAD SURFACES RENEWED

16 COASTAL EROSION/SLIP SITES STABILISED

RHYNDASTON TUNNEL STRENGTHENED





WORKING TOWARDS **ZERO HARM**

TasRail has a team of dedicated and highly competent Safety, Health and Environment (SHE) specialists that supports operational areas on a daily basis and provides a strategic approach to continuous improvement via the:

- Continued reinforcement of the cultural SafetyCircle™ program and the ongoing rollout of the Safety Pause. The Pause is a regular proactive event where the senior management team leads a company-wide discussion on safety;
- Ongoing support of the Derailment Prevention Strategy, with key tactics including the implementation of the Track Geometry Measuring System and ultrasonic rail testing;
- Ongoing support of the Level Crossing Strategy;
- Delivering best practice improvements in risk management;
- Exporting TasRail's safety culture to its contractors; and
- Effective management of the environment in which we operate.

TasRail continues its unwavering commitment to the safety of its staff, contractors and the Tasmanian communities in which we work. Safety is entrenched as one of TasRail's four key values and the mantra of going "Home Safe and Well Today and Every Day" is a part of the company ethos.

TasRail's progress and achievements in this area are remarkable given that, in addition to hauling around three million tonnes of freight annually, the business also provides a range of logistics services in a 24/7 environment including operating major freight terminals, a bulk minerals Shiploader, log loading and bulk minerals handling.

“ Safety is like trying to sweep water up a hill; if you stop for a second it comes back down again. ”

STEPHEN KERRISON
TASRAIL CHIEF OPERATING OFFICER

“ We are immensely proud of reaching three years Lost-Time Injury free. This demonstrates that our people continue to make choices consistent with working “inside the circle” and to manage risk well. It is also recognised we must all remain focused and continue to build on this great achievement. ”

DEREK VAN DER HEIDE
RISK AND COMPLIANCE MANAGER

TasRail is also an infrastructure business. Our Below Rail crews work across the network providing maintenance services on the track often in harsh and remote environments, while our workshops are responsible for maintaining the heavy rollingstock. Concurrently, TasRail is managing civil construction contractors that delivered \$27.8 million work of track upgrades in 2018-19.

TasRail set ambitious safety targets for 2018-19, which from an injury perspective were achieved. Disappointingly however, TasRail experienced two mainline derailments.

The first incident occurred in September 2018 when a train was involved in a forced derailment near Formby Road at Devonport.

This was a very serious incident that most concerningly saw minor injuries sustained by two pedestrians. The incident remains subject to several investigations and TasRail continues to actively cooperate with the Australian Transport Safety Bureau and the Office of the National Rail Safety Regulator. TasRail continues to implement learnings from investigations to date to ensure that this type of incident does not occur again.



The second derailment in May 2019, while a low-speed and low-impact incident on approach to a yard, still constitutes a mainline derailment under TasRail's reporting standards. Notwithstanding these two incidents, the severity and frequency of derailments are at record lows, and rail remains the safest way to manage freight for Tasmanian heavy industry.

As TasRail continues on its journey towards Zero Harm, our cultural safety program (SafetyCircle™) contributed to TasRail recording zero lost-time injuries in 2018-19. As of June 30 2019, TasRail employees were 1,041 days lost-time injury free – a record for the organisation. Likewise, TasRail came in well under its target of a recordable injury frequency rate of 7.0, achieving a record result of 2.0 based on approximately 550,000 exposure hours (including contractors).

Our SafetyCircle™ program puts safety at the core of every TasRail activity. TasRail's implementation and embedding of the program was acknowledged at the 2018 Worksafe Tasmania Awards, winning the large business award for Excellence in Work Health and Safety Culture.

Case Study: Fatigue Risk Management Program

TasRail is committed to systematically eliminating or controlling the risks associated with fatigue in its workforce and has taken further steps in the implementation of its Fatigue Risk Management Project.

"In general people are working more and sleeping less. This trend creates a significant risk for any business, and is particularly important for those people who work in safety-critical roles where there is the possibility of major incidents like collisions or derailments," TasRail Risk and Compliance Manager Derek Van Der Heide said.

The project aims to improve TasRail's approach to fatigue by increasing personal commitment to managing fatigue and being fit for duty, improving the systems and equipment that support fatigue management, and providing leaders with the training and tools necessary to effectively manage fatigue in the workplace. A trial of the new system is being undertaken by drivers based at TasRail's Devonport site.

When fully implemented, this will lead to further maturing of the safety culture at TasRail.



PEOPLE AND CULTURE

OUR PEOPLE

An ongoing commitment to the growth and development of our people continues to pay dividends for TasRail as we become a high-performance provider of rail logistics in Tasmania.

TasRail has achieved significant gains through its increased focus on an embedded values-based culture, as evidenced by the ongoing safety performance milestones and other engagement initiatives such as the resetting of the Vision, Purpose and Values to reflect the modern face of TasRail.

Diversity, respect and empowerment remain central to TasRail's People and Culture Strategy with numerous initiatives undertaken during this reporting period.

LEADERSHIP DEVELOPMENT PROGRAM

In 2018-19 TasRail celebrated the first round of graduates from its customised Leadership Development Program. The graduation acknowledged the hard work and perseverance of 21 employees, further strengthening the leadership potential across the organisation. A second group of current and future leaders have been enrolled in the next intake, further building TasRail's goal of managing and developing capability within the organisation.

TRAINEE RAIL OPERATORS

TasRail's intake of Trainee Rail Operators plays a key role in our workforce planning process. The 2018-19 intake was a clear illustration of the team diversity that TasRail consistently strives for, with a broad mix of age (21-50), gender, and employment backgrounds being welcomed into the business. The intake ensures that we continue to focus on having the right people, at the right time, ready to be developed as the workforce changes shape over coming years.

HEALTH AND WELLBEING

TasRail is focused on sending employees home safe and well every day - not only physically, but also mentally. TasRail works hard to ensure that it has the capacity and the capability to support employees to achieve good health and wellbeing, including taking part in a number of initiatives facilitated by the TrackSAFE Foundation, including Rail R U OK Day and Mental Health First Aid (MHFA). The MHFA course, offered across the workforce, aims to provide staff with best practice mental health first aid strategies along with the skills and knowledge to support their peers in a range of mental health scenarios. Following the training, some participants went on to complete the requirements to become Mental Health First Aid Officers. This training will continue to be offered as part of TasRail's annual calendar of training opportunities.





WORKFORCE PROFILE

243.3 full-time equivalents

Freight Services – 112.0 full-time equivalents

Corporate Services – 38.75 full-time equivalents

Asset Management – 92.55 full-time equivalents

LENGTH OF SERVICE

Seven employees with 45 years of service or more

AGE

Average employee age – 46 years

Age of youngest employee – 19 years

Age of oldest employee – 69 years

GENDER

23.9 per cent of new TasRail employees in 2018-19 were female

12.7 per cent of TasRail's total workforce were female

FIRST

First ever female network controller at TasRail in 2018-19

ABOVE RAIL

The Above Rail business is the commercial arm of TasRail. It provides safe, reliable and efficient rail freight and logistics services to our highly valued customers.

In addition to rail logistics, the Above Rail team is also responsible for operating and managing:

- Freight terminals;
- Container handling;
- Bulk minerals handling, storage and shiploading services;
- Log stockpile management and train loading; and
- Train Control services to ensure safe train operations.

TasRail's statewide network of terminals and dedicated customer sidings provide seamless access to export hubs for heavy industry and freight forwarders. Customised rollingstock for containers, logs, minerals, coal and cement ensure industry can rely on TasRail to provide surety of haulage capacity.

The rail freight task handled by TasRail's Above Rail business in 2018-19 was consistent with the previous year at 2.94 million tonnes. Growth in logs helped offset some modest reductions in other commodities due to a variety of unforeseen circumstances including weather events and market conditions.

TOTAL NET TONNE KILOMETRES

2018-19	482,953,848
2017-18	488,515,583
2016-17	472,896,218
2015-16	442,845,844

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



**TOTAL FREIGHT TASK
NET TONNE KILOMETRES (NTK)**

COMMODITY	2018-19 NTK	2017-18 NTK	PERCENTAGE CHANGE YEAR ON YEAR
Coal	42,695,134	42,601,177	0.22%
Cement	25,459,817	25,976,894	-1.99%
Concentrates	22,053,768	22,810,917	-3.32%
Logs	28,903,180	23,989,688	20.48%
General Intermodal	246,822,408	246,889,952	-0.03%
Paper	117,019,541	126,246,955	-7.31%
TOTAL	482,953,848	488,515,583	-1.14%





ROLLINGSTOCK ASSET UTILISATION

The team at TasRail worked hard in a real-time environment to optimise the use of rollingstock across the network in 2018-19, ensuring that a wide range of freight could be hauled safely and efficiently, and the changing needs of our highly valued customers could be met. TasRail's fleet includes 17 TR class, eight DQ class, and two 2050 locomotives.

2018-19	27 locomotives	17,887,179 NTK per locomotive
2017-18	25 locomotives	19,540,623 NTK per locomotive
2016-17	25 locomotives	19,201,848 NTK per locomotive
2018-19	312 wagons	1,547,929 NTK per wagon
2017-18	312 wagons	1,565,755 NTK per wagon
2016-17	306 wagons	1,568,778 NTK per wagon

LOCOMOTIVE KILOMETRES

The total amount of kilometres travelled by TasRail locomotives on the Tasmanian Rail Network in 2018-19 increased by 65,507 kilometres, or 4.05 per cent compared to 2017-18.

2018-19	1,683,078
2017-18	1,617,571
2016-17	1,561,150

BULK MINERALS SHIPLoader

TasRail owns and operates the Bulk Minerals Export Facility and Shiploader located at the Burnie Port, and provides storage and shiploading services for west coast miners. Mine material is delivered by train seamlessly into the 130,000 tonne capacity Export Facility – or delivered by road depending on the location of the mine. Hellyer Gold Mine became TasRail’s newest customer in 2018-19.

With a resurgent resources industry, TasRail fully optimised the Export Facility and had a strong shiploading result in 2018-19. TasRail loaded 564,000 tonnes of bulk material onto export ships – materials loaded included magnetite (high-grade iron ore), zinc, lead and pyrite concentrates. This is a 22 per cent increase over the previous financial year. TasRail is working with its existing and prospective customers to substantially increase shiploading volumes into the future.

In May 2019, the Australian Government made a \$40 million election commitment to fund the construction of a new bulk minerals shiploader to replace the current unit that was installed in 1969. The new shiploader will have faster loading rates, contemporary safety/environmental features and the reliability inherent to a new machine.

TasRail is working with TasPorts and industry to determine the optimum location within the Port and operational parameters of the new shiploader – the project is a major undertaking and TasRail estimates that it will take between two and three years to complete.

Total shiploading volumes

2018-19	564,201 tonnes
2017-18	463,462 tonnes
2016-17	496,808 tonnes





FORESTRY

After a lengthy hiatus, TasRail recommenced providing log haulage services to the forestry industry in 2013. Starting operations with a single customer at around 75,000 tonnes per annum, TasRail provided an efficient and safe supply chain to the Bell Bay Port.

Based on a high level of service, a second customer commenced using rail in 2017. In July 2018, TasRail commenced rail services for a third customer, and for the first time started hauling plantation logs to Bell Bay.

Despite the impact of winter snow and the summer fires, TasRail hauled around 118,000 tonnes of logs in 2018-19 (25 per cent increase year-on-year). This was achieved by operating additional wagons and, in the final weeks of the year, shifting services up from five to six trains per week. In response to industry demand, TasRail will continue providing six services a week from Brighton to Bell Bay.

After considerable consultation with the industry, TasRail began the process of rebuilding the Parattah Log Siding in 2019. The siding has been disused for many years and is being readied for operations to start in late 2019. Industry demand for rail capacity out of this region to Bell Bay is strong and it will provide a significant addition to log volumes being transported from Brighton.

TasRail has established an excellent working relationship with its customers across the forestry industry and looks forward to continuing to grow in partnership with the sector.

REDUCED CARBON EMISSIONS

Transport is one of the largest sources of greenhouse gas emissions (GHGs) in Australia making up nearly 20 per cent of Australia's net emissions¹. Freight transported by rail provides an opportunity to significantly reduce carbon emissions, allowing companies to demonstrate an ongoing commitment to reduce GHG emissions.

Sustainability of the harvesting and logistics supply chain, including management of GHG emissions, forms part of the forest certification process. The forestry industry looks, where possible, to reduce its carbon footprint to demonstrate the ongoing sustainability of the industry.

Log freight transport by rail between Brighton and Bell Bay produces 0.03kg CO₂/km of GHG emissions for every tonne of logs transported. This represents a 62 per cent reduction in GHG emissions when compared to the same logs being transported by road or 1,420 less tonnes of CO₂ emissions (the equivalent of planting 90 ha. of plantation²).

In addition to the reduction on GHG emissions, the logs transported by rail in 2018-19 resulted in around 3,900 less truck movements along the Midland Highway. TasRail will continue to work in close partnership with forestry companies and road transport operators to ensure efficient supply chains to reach the rail heads at Brighton and Parattah.

References

¹ *A Greener Future – Leveraging on rails green credentials.* Australian Railway Association.

² *Assumes 15t of carbon/ha/ year. Carbon Plantations Kit: Private Forests Tasmania.* www.carbonneutral.com.au/faqs/



HELLYER GOLD MINE RESTART



TasRail is more than just a railway; it also partners with industry to provide logistics solutions. A key service that TasRail provides to industry is bulk minerals shiploading and that is why Hellyer Gold Mine and TasRail worked in close partnership on the re-opening of this key project in North-West Tasmania.

The new owners of the Hellyer Gold Mine saw great economic value in the almost 12 million tonnes of tailings held on site at the mine. Without the need to reopen underground mining operations, Hellyer is reprocessing the material from the tailings dams to produce zinc, lead and a custom pyrite/precious metals concentrate.

Hellyer and TasRail signed a mineral storage and shiploading contract at the official opening of the project on 16 July 2018 and TasRail received the first volumes from Hellyer in October 2018. As the Hellyer project scales up, transport will shift from road to rail, providing Hellyer with a safe and efficient logistics chain from the mine directly into TasRail's facilities at the Burnie Port ready for shiploading.

The TasRail team have been crucial in the restart of the Hellyer Gold Mine.

Restarting a project like Hellyer will always have its challenges, and TasRail have been there every step of the way. ”

STEPHEN WHITE
HELLYER GOLD MINE DIRECTOR

TasRail are well experienced at providing high tonnage rail transport to the resources industry and look forward to partnering with the Hellyer Gold Mine into the future. ”

STEVEN DIETRICH
TASRAIL CHIEF EXECUTIVE OFFICER

GENERAL INTERMODAL CONTAINERS

“ *The new Bass Strait shipping capacity represents an amazing opportunity for TasRail to continue its growth in general containers.* ”

STEVEN DIETRICH
TASRAIL CHIEF EXECUTIVE OFFICER

In addition to the dedicated train services contracted to specific customers, TasRail also competes in the General Intermodal container market. TasRail operates terminals at Brighton, Launceston, Bell Bay, Devonport and Burnie and provides regular services between these locations, transporting containers for both the largest freight forwarders and small project cargoes. TasRail's General Intermodal services haul large volumes of heavy weight containers of finished processed products such as zinc, processed metals, manufacturing, aquaculture inputs and consumer goods.

TasRail's Business Development team is actively engaged with the market, and has been consistently growing container volumes each year, hauling 51,704 Twenty-Foot Equivalent Units (TEUs – or standard shipping containers) in 2018-19 – an increase of ~700 containers on the previous year. Very pleasingly, in November 2018 TasRail set a monthly general intermodal container record, transporting 5,356 containers.

The introduction of Toll's two significantly larger ships to Tasmania in early 2019 presented some initial operational challenges, which were to be expected with any new infrastructure project of that size and complexity. Toll has very clear plans to increase its use of TasRail's services to facilitate the increased capacity of these vessels.

BELOW RAIL

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 850 linear kilometres.

TRACK INSPECTION

TasRail inspects the operational network in accordance with its Track Engineering Standards, which are consistent with the broader rail industry. This includes the routine physical inspection of the infrastructure to identify corrective works in order to manage risk. Specialised measuring equipment, including the Track Geometry Measuring System (TGMS) and ultrasonic rail testing, are used to supplement visual inspections. In addition to the track inspection process, all structures (bridges, tunnels and culverts) undergo detailed inspection in accordance with the TasRail Track and Structures Maintenance Standard.

TRACK QUALITY INDEX (TQI)

The TQI is derived from TasRail's mandatory, scheduled mechanised track geometry recordings. Since April 2018, track geometry on the network has been measured using TasRail's own TGMS. The outputs of the TGMS allow Asset Management team members to make objective assessments of work priorities.

The benefits of planned maintenance and the capital invested through Tranche One of the Tasmanian Freight Rail Revitalisation Program are demonstrated through the increase in "Line Rated as Good" together with the reductions of the other quality bands, when compared to the previous year.



Percentage Rated: Good, Fair, Poor, Very Poor

	Jun 2019 (Good)	Sept 2018 (Good)	Jun 2019 (Fair)	Sept 2018 (Fair)	Jun 2019 (Poor)	Sept 2018 (Poor)	Jun 2019 (Very Poor)	Sept 2018 (Very Poor)
Western Line	80.74	74.43	16.91	21.09	2.23	4.14	0.11	0.34
South Line	67.56	71.94	27.16	24.09	5.06	3.46	0.23	0.51
Melba Line	72.45	68.25	24.18	25.68	3.19	5.88	0.19	0.19
Bell Bay Line	70.72	66.48	22.65	26.34	6.45	6.81	0.18	0.37
Fingal Line	80.39	80.39	16.40	16.40	3.03	3.03	0.18	0.18
Derwent Valley Line	44.78	44.78	39.55	39.55	12.69	12.69	2.99	2.99
Network	73.42	71.70	22.36	23.30	3.97	4.59	0.24	0.41

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 within standard. During 2018-19, TasRail's Asset Management team tamped a total of 174 kilometres of track – up five per cent on the previous year.

Tamping is the process whereby a specialist track machine (the tamper) is used to 'lift and align' the track to restore, or improve, the track geometry. Tamping is generally targeted at track rated "Fair" or "Poor" by the TGMS. Tamping is also carried out following track renewal or maintenance works.

The tamper works in close association with the TasRail ballast train, which distributes new ballast to the track in advance of where the tamper is working.

	2018-19	2017-18
Tamped Kilometres	174	166



TEMPORARY SPEED RESTRICTIONS

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 Temporary Speed Restriction (TSR) is periodically imposed, at particular locations, in line with TasRail's maintenance standards. A TSR assists in managing risk in areas where a track defect or other issue has been identified, pending a permanent solution.

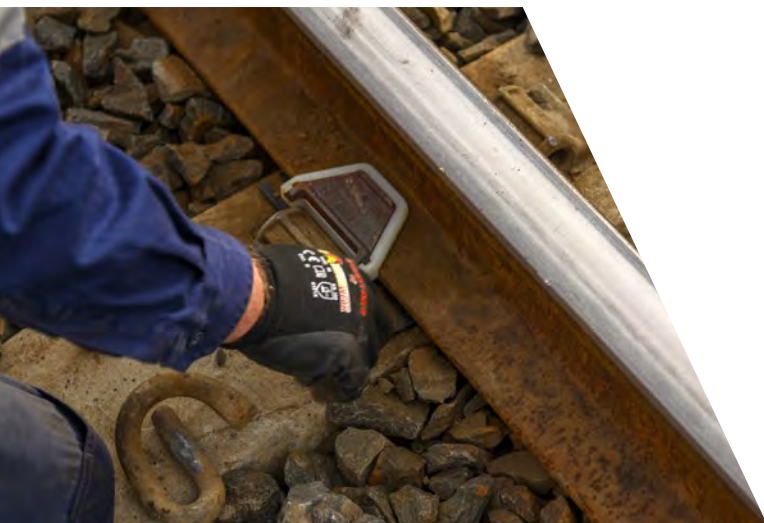
Examples of where a TSR may be applied to a section of track are:




- Following the detection of a track geometry exceedance or other component issue;
- To manage the risk of track bucking in periods of hot weather or flooding; or
- Following a public safety incident on the network or at a level crossing.

TasRail reported a significant reduction (23.3 per cent) in the percentage of the operational network under TSR in 2018-19. A downward trend in TSRs is consistent with a Below Rail organisation that is effectively managing its rail network.

Percentage of the Network under TSR

As of 30 June 2019	8.03
As of 1 July 2018	10.47



	BUCKLES	
	2018-19	27
	2017-18	42
	BROKEN RAIL (Mainline)	
	2018-19	12
	2017-18	7
	BROKEN RAIL (Yard)	
	2018-19	3
	2017-18	2
	2016-17	0

TRACK MANAGEMENT

Steel contracts at low temperatures and expands during periods of high temperatures. In extreme cold, a length of continuously welded rail (CWR) is in tension. Steel also becomes more brittle and on occasions this can trigger a rail break, usually located at the point where lengths of rail have been welded together. In extreme heat, CWR is in compression, which can cause alignment issues and in extreme cases the rail can buckle. Critical to the management of such situations is the correct stress state of the rail when installed, the correct profile of ballast and the selection of a sleeper design that has a high lateral stability. All these factors are included in the scoped work delivered under the Tasmanian Freight Rail Revitalisation Program.

Aged ballast that is no longer angular and has become contaminated with fine material will require more regular maintenance intervention. The condition of the track formation (the part of the structure that supports the ballast) is also vital to good asset management. Both these issues have been points of focus in Tranche One and Tranche Two work scopes, with the Tranche One works having achieved the removal of long-standing TSRs.



TasRail's tamper is used to 'lift and align' the track to improve track geometry.



OUR COMMUNITY

	2018-19	2017-18	2016-17	2015-16
Level crossing failure to stop or give way	85	72	76	123
Level crossing collisions	2*	1	1	1
Trespass	58	69	43	67
Vandalism and theft	31	72	55	52
Livestock in the rail corridor	104	122	64	86
Animal collisions with trains	19	20	10	32

*Note: Two level crossing collisions were reported in 2018-19. On both occasions motorists failed to stop at level crossings (Brighton, Spreyton).



TasRail prides itself on a proactive and positive relationship with the communities in which it operates, whether via supporting our customers, promoting rail safety, or the sponsorship of key events. TasRail sponsorship and engagement activities are spread across industry and community events and in the past year included a team in the F1 in Schools STEM Challenge, the Rosebery Festival, several key industry forums, and the Devonport Regatta. TasRail has also embraced many other key causes in support of employees, including fundraising for the Leukaemia Foundation and MS Australia.

BEACON PARTNERSHIP

TasRail continued its valued partnership with the Beacon Foundation in 2018-19, which focuses on empowering Tasmanian students to 'be the best they can be' as they transition from education into the workforce. In conjunction with Beacon, TasRail staff have facilitated or participated in site visits, and numerous job chats and careers expos, with many participants commenting on what a rewarding opportunity it provided.

The feedback from students after engaging with TasRail staff has also been fantastic, with many acknowledging a greater understanding of TasRail and the variety of opportunities that exist within the sector.

An additional benefit of TasRail's engagement with schools is the opportunity to educate students about rail safety. This is particularly important and relevant for schools in close proximity to rail lines and/or near to a TasRail depot. Rail safety awareness is an important TasRail value and one that the Beacon Foundation also supports for young people.

RAIL SAFETY

TasRail promotes public rail safety education and awareness, including periodic advertising campaigns. It also works closely with the Australasian Railway Association and the TrackSAFE Foundation to develop educational material, and on national initiatives including Rail Safety Week. CCTV cameras operate at a number of hotspot level crossings and are fitted to the locomotive fleet. Where evidence of an offence is captured on video, TasRail receives good follow-up and support from Tasmania Police. While most level crossing and trespass incidents are reported by drivers, many in the community have also embraced the importance of rail safety, reporting occurrences via phone, email and social media.

TasRail's operating procedures require the train horn to be sounded twice per level crossing for a duration of one second each time – one near approach to the crossing and once prior to entering the level crossing. The procedures also mandate that the 'low note' be applied between the hours of 10 pm and 6 am. It should be noted that these procedures are minimum requirements only, with the train driver authorised to sound the horn at any time they perceive there to be a potential danger. While TasRail acknowledges that the sound of a train horn does pose a concern for a minority of people who live near a railway line, the safety of the general public and rail operations must be a priority.

Train Horn Complaints

2018-19	22
2017-18	21
2016-17	20

CORRIDOR LAND MANAGEMENT

TasRail is responsible for maintaining the Tasmanian Rail Network. This comprises terminals, depots, sidings and some 1700 kilometres of operational and non-operational land corridors.

Maintaining these land corridors is a significant undertaking and TasRail each year diverts a percentage of its track maintenance budget to implement a prioritised program of land management activities. These include bi-annual 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 across the rail corridor.

The 2018-19 summer was particularly challenging, with a high demand for repeat slashing and mowing works across the network.

Adjoining landowners and members of the public are encouraged to report vegetation issues to property@tasrail.com.au.

Vegetation Complaints

2018-19	56
2017-18	31
2016-17	80



TOURIST AND HERITAGE RAIL

The Tasmanian Government has provided a clear and transparent pathway for any third party seeking to operate tourist and heritage rail services on the Tasmanian Rail Network.

Where access to a part of the operational rail network is requested, the interested third party can apply directly to TasRail for a Network Access Agreement (NAA) in accordance with the Tasmanian Rail Access Framework Policy. Under this scenario, TasRail is responsible for Below Rail operations only, with the NAA applicant responsible for its own Above Rail operations including attainment of the appropriate rail safety accreditation for the proposed activity. The NAA applicant will need to demonstrate to TasRail that the rollingstock it intends to operate on the Tasmanian Rail Network is compatible with the available infrastructure and complies with TasRail's ONRSR accredited Track and Engineering Standards.

TasRail is yet to receive a formal application for access to the operational rail network but is developing NAA Guidance Notes to be published on its website. The Guidance Notes will set out technical parameters such as axle loadings, braking systems, network control and incident recovery procedures. Public Liability Insurance requirements and other operational parameters will also be included. For example, applicable safety management systems and rail worker competencies.

The access fees payable by the third party under the NAA are set by the Tasmanian Government as published in the Rail Access Framework Policy.

Alternatively a tourist and heritage rail organisation can apply to the Tasmanian Government for access to a non-operational rail corridor (or part thereof) in accordance with the *Strategic Infrastructure Corridors (Strategic and Recreational Use) Act 2016*.

Decisions about the future use of a non-operational rail corridor are not a matter for TasRail, noting that under this scenario the tourist and heritage rail operator would be responsible for both the Below and Above Rail operations.

TasRail continues to provide support and in-kind assistance to tourist and heritage rail organisations. This includes provision of information and the donation of surplus and/or redundant assets in accordance with TasRail's Disposal of Assets Policy and Procedures. Examples of TasRail's support for this sector during 2018-19 include:

- TasRail providing two staff members to join on the Ministers Advisory Committee for the West Coast Wilderness Railway;
- Donation of sleepers to the Launceston Tramway Museum Society;
- Donation of sleepers to Don River Railway;
- Loan of rail equipment to Don River Railway;
- The retrieval, transport and storage of sleepers reserved for future donation to tourist and heritage rail organisations.





CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE FRAMEWORK

TasRail is managed 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 management 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 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 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 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 emerging and actual risks in the Company's external and internal environment and use 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 Shareholder 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; and
- Reviewing the CEO's recommendations regarding Enterprise Agreement strategy and remuneration under other arrangements for company staff, and ensure remuneration is aligned with market trends.

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

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, they can be obtained by writing to: Public Interest Disclosure Officer, TasRail, PO Box 335, Kings Meadows, Tasmania 7249.
- (b) No disclosures were made to TasRail in 2018-19.
- (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 2018-19, TasRail received no 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 2018-19 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 2018-19

Value of purchases from Tasmanian businesses	\$37,351,342.51
Percentage of purchases from Tasmanian businesses	64.49 per cent

Note: 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 2018-19

Number of accounts due for payment	11,067
Percentage of accounts paid on time	100 per cent
Amount due for payment	\$59,446,010
Amount paid within agreed timeframes	\$59,446,010
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	NIL

FINANCIALS

Unaudited financials – exclusion of capital program on reported operating results	2019 (\$'000)	2018 (\$'000)
Loss from continuing activities	(25,408)	(25,168)
Add back impairment expense	27,186	32,020
Less grant income for capital works	(13,496)	(15,757)
Loss from operating activities (excluding capital program)	(11,718)	(8,905)

The financial statements outline the accounting treatment prescribed for the grant revenue received from both the Australian and Tasmanian governments. This results in capital grant income recorded as both income in the Statement of Profit and Loss and as an equity contribution, while the full amount of the impairment of the assets is recognised in the Statement of Profit and Loss. The table above (unaudited) reconciles the reported loss from operations and adjusted for those capital items recorded in the Income Statement to provide a loss from operating activities excluding the capital program in 2019 of \$(11,718,000).

CONTRACTORS

There were a number of contracts let in 2017-18 and some of these commitments carried forward into this financial year. Additionally, TasRail has awarded contracts in the 2018-19 that have commitment values into next financial year. Individual contracts awarded in 2018-19 were as follows:

Contracts valued over \$5 million

Contract/Works Package	Procurement Method	Buy Local Policy Applied	Contractor	Contractor State of Operations
Manufacture and Supply of Steel Rail and Sleepers	Open Tender	Yes	Liberty Onesteel Pty Ltd	SA

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

Contract/Works Package	Procurement Method	Buy Local Policy Applied	Contractor	Contractor State of Operations
NIL				

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. 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.

The following consultancies were valued at more than \$50,000 (excluding GST):

Name of Consultant	Location	Description	Period of Engagement	Amount \$
Pitt & Sherry	TAS	Engineering advice	Jul 18 - Jun 19	344,054
GHD Pty Ltd	TAS	Remediation design, site investigation and assessment	Jul 18 - Jun 19	196,772
PDA Surveyors	TAS	Surveying, engineering and planning services	Jul 18 - Jun 19	186,654
BD James Consulting	VIC	Industrial relations and employee negotiation advice	Jul 18 - Mar 19	105,998
ATRS - Australia	NSW	Incident investigation	Aug 18 - Oct 18	66,285
Advisian Pty Ltd	VIC	Engineering advice	Jul 18 - Mar 19	63,521
Rail Networks Consulting	VIC	Engineering and design advice	Oct 18 - May 19	50,408
Sub Total				1,013,693
There were 21 consultants engaged for \$50,000 or less totalling				284,039
Total payments to consultants to June 2019				1,297,732

FINANCIAL REPORT

30 JUNE 2019

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TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' REPORT
 FOR THE YEAR ENDED 30 JUNE 2019

The Directors present their report together with the financial report of Tasmanian Railway Pty Limited ("the Company") for the financial year ended 30 June 2019 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, Chairman Appointed 10 August 2015. Reappointed 12 November 2018 for 3 years.</p>	<p>Chairman, Governance and Nomination Committee Chairman, Tasmanian Irrigation Director, Hydro Tasmania Director, MaxiTRANS Member, Australian Renewable Energy Agency Board Board Member, Infrastructure Australia</p>
<p>Stephen Cantwell Independent Non-Executive Director Appointed 1 December 2016 for 3 years.</p>	<p>Chairman, Safety, Health and Environment Committee Member, Audit and Risk Committee Member, Governance and Nomination Committee Director, Port of Brisbane Pty Ltd Director, Queensland Rail Pty Ltd (QR) Member, Townsville Industrial Development Board</p>
<p>Ian Dobbs Independent Non-Executive Director Appointed 1 July 2017 for 3 years.</p>	<p>Chairman, People and Remuneration Committee Member, Safety, Health and Environment Committee Member, Governance and Nomination Committee Chairman, International Association of Public Transport (UITP) Australia and New Zealand Chairman and Non-Executive Director, Network Rail Consulting Australia and New Zealand Deputy President and Member of Executive Board, International Association of Public Transport (UITP) Brussels Non-Executive Director, Network Rail Consulting in London Member, Advisory Board, Cubic Transportation Services</p>
<p>Janine Healey Independent Non-Executive Director Appointed 1 July 2017 for 3 years.</p>	<p>Chairman, Audit and Risk Committee Member, People and Remuneration Committee Member, Governance and Nomination Committee Director, Football Federation of Tasmania Member and Treasurer, Launceston Chamber of Commerce Member and President of State Divisional Council of the Australian Institute of Company Directors Treasurer, Tamar Community Peace Trust</p>

TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

Philip Mussared

Independent Non-Executive Director
Appointed 6 December 2017 for 3 years

Member, Audit and Risk Committee
Member, Safety, Health and Environment Committee
Member, People and Remuneration Committee
Member, Governance and Nomination Committee

Chair, Tasmanian Traineeships and Apprenticeships Committee
Director, Hobart International Airport Pty Ltd
Director, Tasmanian Gateway Holdings Corporation Pty Ltd
Director, Tasmanian Gateway Property Corporation Pty Ltd
Director, Tasmanian Gateway Corporation Pty Ltd
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, Regional Advisory Committee, Institute of Management and Leadership (formerly AIM)
Member, Tasmanian Heritage Council

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 2019 are:

Director	Meetings of committees										
	Board		Audit		Governance		Safety		People		
	A	H	A	H	A	H	A	H	A	H	
Samantha Hogg	10	10	3	4	4	4	4	4	4	4	4
Stephen Cantwell	10	10	4	4	4	4	4	4	4	4	4
Janine Healey	10	10	4	4	4	4	3	4	4	4	4
Ian Dobbs	10	10	4	4	4	4	4	4	4	4	4
Philip Mussared	10	10	4	4	4	4	4	4	4	4	4

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 and this is reflected in the above table.

TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' REPORT
 FOR THE YEAR ENDED 30 JUNE 2019

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 freight rail 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 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 611 km of operational track and 234 km 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	2019	2018
Net loss after tax before comprehensive income was	\$25,408,000	\$25,165,000
After:		
-grant income for capital works of	\$13,496,000	\$15,757,000
-an impairment expense of	\$27,186,000	\$32,020,000
-depreciation and amortisation expenses of	\$9,014,000	\$9,082,000

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

TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' REPORT
 FOR THE YEAR ENDED 30 JUNE 2019

The impairment loss in the current year relates to capital expenditure on the Below Rail infrastructure funded by the Tasmanian and Australian 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 2018-19 was \$13,150,000 (2017-18: \$15,000,000).
- Tasmanian Government contributions for the 2018-19 financial year are 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 differs from years prior where all capital expenditure contributions from the Tasmanian Government were recognised directly to equity. Tasmanian Government contributions for 2019-20 will revert to being treated as equity contributions.

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

For the year ended 30 June	2019	2018
Below Rail net loss before income tax of	\$(24,809,000)	\$(25,612,000)
After:		
- impairment, depreciation and amortisation expenses of	\$30,945,000	\$35,753,000
Above Rail net profit (loss) before income tax of	\$(599,000)	\$444,000
After:		
- depreciation and amortisation expenses of	\$5,255,000	\$5,349,000

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

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 2018-19.

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 2019. 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.

TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

5. DIVIDENDS

No dividends were paid or declared by the Company to Members in 2018-19.

6. EVENTS SUBSEQUENT TO REPORTING DATE

The Company received the Tasmanian Government funding allocations for 2019-20 subsequent to balance date. These monies were applied to retire debt reported as at 30 June 2019.

Other than the item disclosed above, 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 in and upgrade critical rail infrastructure to ensure a sustainable rail service. The Tasmanian and Australian governments committed to provide a program of \$119,600,000 over the four years to 30 June 2019 to fund these capital works. This program was successfully completed on 30 June 2019. The Tasmanian and Australian governments have 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 2021 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 2018-19, the Company has paid insurance premiums 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.

TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

10. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report for the financial year ended 30 June 2019.

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.



SAMANTHA HOGG
CHAIRMAN

Dated at Launceston this 5th day of August 2019.



Tasmanian
Audit Office

Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 | Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

5 August 2019

The Board of Directors
Tasmanian Railway 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 2019, 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
Delegate of the Auditor-General

TASMANIAN RAILWAY PTY LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 (\$'000)	2018 (\$'000)
Continuing operations			
Revenue from freight services	A1	36,222	33,735
Grant income for operating activities	A1	8,100	8,100
Grant income for capital works	A1	13,496	15,757
Other income	A1	3,551	1,812
Finance income		14	177
Total income		61,383	59,581
Losses and expenses			
Employee benefits expense	C1	(27,009)	(25,475)
Depreciation and amortisation expense	B2, B3	(9,014)	(9,082)
Impairment expense	B2	(27,186)	(32,020)
Other expenses	A2	(23,319)	(18,169)
Finance expense		(263)	(3)
Loss from continuing operations		(25,408)	(25,168)
Taxation equivalent benefit (expense)	A3	-	3
Loss for the year after tax before comprehensive income		(25,408)	(25,165)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge reserve	D2	-	11
Tax on items that may be reclassified subsequently to profit or loss	A3	-	(3)
Total items that may be reclassified subsequently to profit or loss		-	8
Total comprehensive loss for the year		(25,408)	(25,157)

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

TASMANIAN RAILWAY PTY LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 (\$'000)	2018 (\$'000)
Assets			
Cash and cash equivalents		1,300	6,422
Trade and other receivables	B1	6,673	5,374
Inventories	B5	10,768	10,234
Assets classified as held for sale		512	512
Total current assets		19,253	22,542
Property, plant and equipment	B2	101,290	109,863
Intangibles	B3	734	2,404
Total non-current assets		102,024	112,267
Total assets		121,277	134,809
Liabilities			
Trade and other payables	B4	4,955	6,427
Deferred grant income	B4	673	14,168
Borrowings	B6	19,250	6,000
Employee benefits	C1	4,560	4,521
Total current liabilities		29,438	31,116
Employee benefits	C1	1,303	899
Total non-current liabilities		1,303	899
Total liabilities		30,741	32,015
Net Assets		90,536	102,794
Equity			
Share capital	D1	400,729	387,579
Reserves	D2	6,884	6,884
Accumulated losses		(317,077)	(291,669)
Total Equity		90,536	102,794

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 2019

	Note	Share Capital (\$'000)	Cash Flow Hedging Reserve (\$'000)	Asset Revaluation Reserve (\$'000)	Accumulated Losses (\$'000)	Total Equity (\$'000)
At 1 July 2017		372,579	(8)	6,884	(266,504)	112,951
Equity contributed	D1	15,000	-	-	-	15,000
Total comprehensive loss for the year		-	8	-	(25,165)	(25,157)
At 30 June 2018		387,579	-	6,884	(291,669)	102,794
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

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

TASMANIAN RAILWAY PTY LTD
STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2019

	Note	2019 (\$'000)	2018 (\$'000)
Cash flows from operating activities			
Receipts from customers		42,293	38,775
Grants received for operating activities		8,100	8,100
Payments to suppliers and employees		(53,769)	(47,481)
Cash generated from operations		(3,376)	(606)
Interest received		14	177
Interest paid		(263)	(3)
Net cash from/(used in) operating activities	A4	(3,625)	(432)
Cash flows from investing activities			
Grants received for capital works		-	-
Purchase of property, plant and equipment		(28,201)	(32,824)
Proceeds from sale of plant and equipment		304	-
Net cash from/(used in) investing activities		(27,897)	(32,824)
Cash flows from financing activities			
Proceeds from borrowings	A4	19,250	6,000
Repayment of borrowings		(6,000)	-
Equity contributions	D1	13,150	15,000
Net cash provided by financing activities		26,400	21,000
Net increase/(decrease) in cash and cash equivalents		(5,122)	(12,256)
Cash and cash equivalents at start of period		6,422	18,678
Cash and cash equivalents at 30 June		1,300	6,422

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 2019

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TASMANIAN RAILWAY PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 5 August 2019.

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 Director's 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 AASBs 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.

TASMANIAN RAILWAY PTY LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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.

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.

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 are:

- 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.

A - FINANCIAL PERFORMANCE

This section provides further information in respect to the financial performance of the Company for the year ended 30 June 2019. The focus is on operating segments, revenue, expenses and cashflow 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.

	2019 (\$'000)	2018 (\$'000)
Operating revenue		
Revenue from freight services	36,222	33,735
Grant income for operating activities		
Tasmanian Government	8,100	8,100
Grant income for capital works		
Tasmanian Government	13,432	15,693
Australian Government	64	64
	13,496	15,757
Other income		
Sundry	2,758	1,042
Property rental	793	770
	3,551	1,812

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 between 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:

	2019 (\$'000)	2018 (\$'000)
Other expenses		
Maintenance and consumables expense	(9,116)	(5,789)
Fuel expense	(4,484)	(3,641)
Property and lease expense	(1,932)	(2,196)
Administration expense	(3,803)	(3,439)
Loss on sale of disposal of fixed assets	(566)	-
Other expenses	(3,418)	(3,104)
Total other expenses	(23,319)	(18,169)

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.

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*.

	2019 (\$'000)	2018 (\$'000)
Tax Equivalent Expense		
Adjustments for prior years	-	-
Deferred tax expense:		
Origination and reversal of temporary differences:		
Increase/(Decrease) in deferred tax liability	20	(34)
Decrease/(Increase) in deferred tax asset	(7,624)	(7,502)
Adjustments for prior years	-	-
Non-recognition of temporary differences and tax equivalent losses	7,604	7,539
Income tax (expense)/benefit attributable to profit/(loss) before other comprehensive income	-	3
Tax recognised in other comprehensive income		
Tax (expense) benefit relating to cash flow hedge reserve	-	(3)
Tax (expense) benefit relating to asset revaluation reserve	-	-
Total taxation equivalent expense/benefit	-	-
Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income rate		
Loss before tax	(25,408)	(25,168)
Income tax using the domestic corporation tax rate of 30%	(7,622)	(7,550)
Increase in income tax expense due to:		
Non-deductible expenses	18	11
	(7,604)	(7,539)
Add prior year under/(over) provision	-	-
Non-recognition of temporary differences and tax equivalent losses	7,604	7,539
Total taxation equivalent expense/benefit	-	-

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:

	2019 (\$'000)	2018 (\$'000)
Deferred tax assets		
Employee benefits	1,864	1,716
Trade and other payables	65	113
Property, plant and equipment	58,732	54,148
Deferred grant income	202	4,250
Trade and other receivables	80	-
Carried forward tax losses - Revenue Losses	26,034	19,113
Carried forward tax losses - Capital Losses	518	518
Tax assets	87,495	79,858
De-recognised due to not being probable of recovery	(87,350)	(79,744)
Set-off against deferred tax liability	(145)	(114)
Net deferred tax asset	-	-
Deferred tax liabilities		
Inventory	81	61
Trade and other receivables	64	53
Tax liabilities	145	114
Set-off against deferred tax asset	(145)	(114)
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:

	2019 (\$'000)	2018 (\$'000)
Cash flows from operating activities		
Loss for the period	(25,408)	(25,165)
<i>Adjustments for:</i>		
Depreciation and amortisation	9,014	9,082
Impairment	27,186	32,020
Grant income for capital works	(13,496)	(15,757)
Tax expense/(benefit) relating to cash flow hedge reserve		(3)
Gain (loss) on disposal of property, plant and equipment	566	-
Operating profit before changes in working capital and provisions	(2,138)	177
- Increase/(Decrease) in payables	(98)	(296)
- Increase/(Decrease) in employee benefits	443	(737)
- (Increase)/Decrease in receivables	(1,298)	(145)
- (Increase)/Decrease in inventories	(534)	569
Net cash flows from operating activities	(3,625)	(432)

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

	2019 (\$'000)	2018 (\$'000)
Reconciliation of liabilities from financing activities		
<i>Borrowings</i>		
Opening balance	6,000	-
Cash flows - borrowings repaid	(6,000)	-
Cash flows - cash received	19,250	6,000
Closing balance	19,250	6,000

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 is provided internally 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.

Segment	Year ended 30 June 2019			Year ended 30 June 2018		
	Above Rail (\$'000)	Below Rail (\$'000)	Total (\$'000)	Above Rail (\$'000)	Below Rail (\$'000)	Total (\$'000)
External revenues	39,193	22,190	61,383	35,615	23,966	59,581
Inter-segment revenue	-	3,353	3,353	-	3,093	3,093
Interest revenue	6	8	14	65	112	177
Interest expense	(121)	(142)	(263)	(2)	(1)	(3)
Impairment	-	(27,186)	(27,186)	-	(32,020)	(32,020)
Depreciation and amortisation	(5,226)	(3,788)	(9,014)	(5,349)	(3,733)	(9,082)
Reportable segment profit / (loss) before income tax	(1,082)	(24,326)	(25,408)	444	(25,612)	(25,168)
Taxation expense	-	-	-	(3)	-	(3)
Reportable segment assets	107,545	12,432	119,977	108,533	19,854	128,387
Add: cash and cash equivalents not allocable to segments			1,300			6,422
Total assets			121,277			134,809
Capital expenditure	2,742	25,097	27,839	2,428	31,803	34,231

Major customers

Revenue from three parties represent approximately 54.24% (2018: 58.15%) of freight services and other income as follows:

	2019 (\$'000)	2018 (\$'000)
- Party 1 (freight services - Above Rail)	9,601	9,086
- Party 2 (freight services - Above Rail)	6,979	6,788
- Party 3 (freight services - Above Rail)	4,992	4,796

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:

Trade and other receivables	2019 (\$'000)	2018 (\$'000)
Trade receivables	5,352	4,614
Sundry receivables	700	184
Prepayments	521	325
GST receivable	100	251
Total trade and other receivables	6,673	5,374

Impairment

Financial assets (including receivables)

Accounting policy under AASB 139 - applicable for 2018 comparative

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against financial assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Accounting policy under AASB 9 - applicable for 2019

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 impairment losses.

The average credit period on freight services is 39 days (2018: 40 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 2019 is as follows:

	Leasehold improvements (Buildings) at cost (\$'000)	Infrastructure at cost (\$'000)	Plant equipment & motor vehicles at cost (\$'000)	Rollingstock (Refurbished) at fair value (\$'000)	Rollingstock (New) at fair value (\$'000)	Capital projects work in progress (\$'000)	Total (\$'000)
Gross carrying amount							
Balance at 1 July 2017	10,003	233,295	17,301	2,112	98,067	9,466	370,244
Additions	-	-	107	-	-	32,803	32,910
Transfers from WIP	1,388	32,020	2,670	143	419	-	36,640
Transfers out	-	-	-	-	-	(36,640)	(36,640)
Balance at 30 June 2018	11,391	265,315	20,078	2,255	98,486	5,629	403,154
Balance at 1 July 2018	11,391	265,315	20,078	2,255	98,486	5,629	403,154
Additions	-	-	507	-	-	25,887	26,394
Transfers from WIP	220	27,186	369	-	159	-	27,934
Disposals	-	-	(481)	-	(848)	-	(1,329)
Transfers out	-	-	-	-	-	(27,934)	(27,934)
Balance at 30 June 2019	11,611	292,501	20,473	2,255	97,797	3,582	428,219
Depreciation and impairment losses							
Balance at 1 July 2017	(5,699)	(233,295)	(7,376)	(391)	(7,493)	-	(254,254)
Depreciation for the year	(936)	-	(1,998)	(206)	(3,877)	-	(7,017)
Impairment loss	-	(32,020)	-	-	-	-	(32,020)
Balance at 30 June 2018	(6,635)	(265,315)	(9,374)	(597)	(11,370)	-	(293,291)
Balance at 1 July 2018	(6,635)	(265,315)	(9,374)	(597)	(11,370)	-	(293,291)
Depreciation for the year	(912)	-	(1,996)	(123)	(3,880)	-	(6,911)
Impairment loss	-	(27,186)	-	-	-	-	(27,186)
Disposals	-	-	348	-	111	-	459
Balance at 30 June 2019	(7,547)	(292,501)	(11,022)	(720)	(15,139)	-	(326,929)
Carrying amounts							
at 1 July 2017	4,304	-	9,925	1,721	90,574	9,466	115,990
at 30 June 2018	4,756	-	10,704	1,658	87,116	5,629	109,863
at 30 June 2019	4,064	-	9,451	1,535	82,658	3,582	101,290

B - OPERATING ASSETS AND LIABILITIES

B2 - PROPERTY, PLANT AND EQUIPMENT (CONT)

Recognition and measurement

Rollingstock assets are stated at fair value on the basis of an independent market valuation by external valuation experts. Allowance has been made for the estimated costs of selling and transporting these assets to potential markets. Revaluations will be performed with sufficient regularity, not exceeding a period between revaluations of five 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 \$79,604,000 (2018: \$82,829,000).

Independent valuation of rollingstock

An independent valuation of rollingstock assets, which includes locomotives, wagons and rotatable spares, was undertaken by Ernst & Young as at 30 June 2015. The fair value of rollingstock assets is based on market prices of comparable assets. The market prices in USD are converted to AUD using an exchange rate current at the date of the valuation to arrive at an estimated contract price. The contract price is then adjusted to reflect the age of the assets and the local costs of acquisition. The Directors have completed their assessment of fair value at the end of the current reporting period for these rollingstock assets. The Directors have determined that rollingstock assets are fairly stated.

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 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.

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 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 and motor vehicles	3 - 18 years

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.

B - OPERATING ASSETS AND LIABILITIES

B2 - PROPERTY, PLANT AND EQUIPMENT (CONT)

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 less costs to sell. 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	2019 (\$'000)	2018 (\$'000)
Rollingstock (refurbished)	1,535	1,658
Rollingstock (new)	82,658	87,116
	84,193	88,774

B3 - INTANGIBLE ASSETS - SOFTWARE

	2019 (\$'000)	2018 (\$'000)
Software - at cost	8,458	8,024
Accumulated amortisation	(7,724)	(5,620)
	734	2,404
Carrying amount at the beginning of the period	2,404	4,467
Additions	434	-
Amortisation	(2,104)	(2,063)
Carrying amount at the end of the period	734	2,404

The balance of intangibles is predominantly Train Control 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:

Trade and other payables	2019 (\$'000)	2018 (\$'000)
Trade payables	2,763	3,183
Other trade payables	853	974
Cash flow hedge	-	-
Accrued expenses	1,339	2,270
Total trade and other payables	4,955	6,427

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 16.9 days (2018: 21.7 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 note D3.

Other liabilities	2019 (\$'000)	2018 (\$'000)
Deferred grant income		
Tasmanian Government capital works funding	-	13,431
Australian Government capital works funding	673	737
Total other liabilities	673	14,168

B5 - INVENTORIES

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

Inventories	2019 (\$'000)	2018 (\$'000)
Consumables and spare parts - at cost		
Rollingstock, plant and equipment	5,146	4,183
Infrastructure	5,350	5,845
Fuel stock - at cost	272	206
Total inventories	10,768	10,234

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.

The cost of inventory consumed during the year was \$12,471,000 (2018: \$12,414,000).

B6 - BORROWINGS

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

Borrowings	2019 (\$'000)	2018 (\$'000)
Loan from TasCorp	19,250	6,000
Total borrowings	19,250	6,000

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:

Employee provisions	2019 (\$'000)	2018 (\$'000)
Current		
Liability for annual leave	2,902	2,871
Liability for long-service leave	1,658	1,650
	4,560	4,521
Non-current		
Liability for long-service leave	1,303	899
Total Employee Provisions	5,863	5,420

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 CONTRIBUTION

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

	Director Remuneration		Executive Remuneration		Consolidated	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	297,761	314,451	1,030,822	1,734,574	1,328,582	2,049,025
Post-employment benefits	36,872	34,616	98,264	173,152	135,136	207,768
Other long-term employee benefits	-	-	68,678	(27,077)	68,678	(27,077)
Termination benefits	-	-	33,578	132,631	33,578	132,631
	334,633	349,067	1,231,341	2,013,279	1,565,974	2,362,346

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, as is 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 in bands 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:

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

Non-Executive Director - 2018	Directors' fees \$	Committee fees \$	Superannuation * \$	Other benefits \$	Total 2018 \$
Robert Annells PSM - Chairman resigned 6/12/17	49,302	-	4,684	-	53,986
Samantha Hogg - appointed Chairman 6/12/17	82,146	4,189	8,201	-	94,536
Sarah Merridew - resigned 30/11/17	15,265	4,070	1,836	-	21,171
Stephen Cantwell	37,063	9,883	-	-	46,946
Ian Dobbs - appointed 1/7/17	37,063	9,883	4,460	-	51,406
Janine Healey - appointed 1/7/17	28,657	9,883	12,866	-	51,406
Philip Mussared - appointed 6/12/17	21,353	5,694	2,569	-	29,616

* Superannuation represents employer contributions including amounts salary sacrificed.

C - PEOPLE

C2 - DIRECTOR AND KEY MANAGEMENT PERSONNEL CONTRIBUTION (CONT)

Executive remuneration

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

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
Steven Dietrich - CEO	297,261	38,621	31,909	12,843	-	-	380,634	-	44,056	424,690
Stephen Kerrison - COO	236,590	35,213	25,493	13,746	-	-	311,043	-	32,631	343,673
Alice Vujanovic - GM People and Culture (separated 18 March 2019)	139,941	20,790	18,459	-	-	-	179,190	33,578	(29,156)	183,612
Erin Mollison - Acting Manager People and Culture (from 19 March 2019)	29,434	-	2,796	-	-	-	32,231	-	4,309	36,540
Karen van der Aa - CFO (from 19 Sept 2018, Acting CFO until then)	195,884	10,498	19,606	-	-	-	225,988	-	16,837	242,826

Senior executive - 2018	Base salaries \$	Short term incentive payments ***	Superannuation *	Vehicles ****	Other monetary benefits	Other non monetary benefits	Total remuneration 2018	Termination benefits ****	Other long-term benefits **	Total 2018
Damien White - CEO (resigned 27 April 2018)	299,132	31,953	31,445	13,328	-	-	375,858	-	(63,949)	311,909
Steven Dietrich - CEO (from 27 April 2018, CFO until 26 April 2018)	252,610	32,352	27,142	12,843	-	-	324,947	-	52,154	377,101
Stephen Kerrison - COO	221,002	27,312	23,589	13,746	-	-	285,649	-	24,370	310,019
Robert Parton - GM Freight Services	195,812	13,635	19,223	-	-	-	228,670	-	3,784	232,454
Jon Drew - GM Asset Management (resigned 4 December 2017)	97,565	19,330	16,580	-	-	-	133,475	-	(16,022)	117,453
Alice Vujanovic - GM People and Culture	191,780	-	18,219	-	-	-	209,999	-	23,348	233,347
Rhys Prestidge - GM Asset Management (from 13 February 2018)	84,168	-	6,799	-	-	-	90,967	-	4,388	95,355
Shannon Cox - GM Strategy and Stakeholder Relations (until 30 June 2018)	174,997	13,287	28,181	14,273	-	-	230,738	132,631	(58,031)	305,338
Karen van der Aa - Acting CFO (from 27 April 2018)	25,449	-	1,974	-	-	-	27,423	-	2,881	30,304

* 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 paid during the current year for achieving specified performance goals in specified timeframes in the prior year.

**** 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.

C - PEOPLE

C2 - DIRECTOR AND KEY MANAGEMENT PERSONNEL CONTRIBUTION (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 were paid during the current year 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.

Termination benefits

Termination payments during the current year were for Alice Vujanovic. Alice Vujanovic separated on 18 March 2019 and was paid \$33,577 representing the balance of accrued leave entitlements (\$20,787), plus payment in lieu of notice (\$12,790).

Acting arrangements

When members of key management personnel are unable to fulfill 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 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 Tasmanian and Australian 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.

	2019 (\$'000)	2018 (\$'000)
Opening balance - fully paid ordinary shares	387,579	372,579
* Equity contributed during the year	13,150	15,000
Closing balance - fully paid ordinary shares	400,729	387,579

* This is funding provided to the Company which has been formally designated as equity in accordance with the accounting policy in note A1 and comprises Australian Government funds for capital works programs of \$13,150,000 (2018: \$15,000,000).

D2 - RESERVES

	2019 (\$'000)	2018 (\$'000)
Asset revaluation reserve - rollingstock		
Opening balance	6,884	6,884
Asset revaluation increment	-	-
Tax effect arising on asset revaluation	-	-
Closing balance	6,884	6,884
Cash flow hedge reserve		
Opening balance	-	(8)
Effective portion of changes in fair value of cash flow hedge	-	11
Tax effect arising on market valuation	-	(3)
Closing balance	-	-
Total reserves	6,884	6,884

When considered appropriate, the Company enters into derivative financial instruments designated as cash flow hedges of future forecast capital and inventory purchases. The table above identifies the impact of cash flow hedges on equity during the year. The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The Company did not hold any significant cash flow hedges at 30 June 2019.

D - CAPITAL STRUCTURING AND FINANCING

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.

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:

	2019 (\$'000)	2018 (\$'000)
Not past due	4,219	4,472
Past due 0-30 days, but not impaired	1,044	109
Past due 31-60 days	76	12
Past due more than 60 days	13	21
Total	5,352	4,614

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 note E9 Economic Dependency.

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

	2019 (\$'000)	2018 (\$'000)
Financial liabilities		
Trade and other payables - payable in 6 months or less	4,955	6,427
Borrowings - payable in 12 months or less	19,250	6,000
	24,205	12,427

Undrawn financing facilities

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

	2019 (\$'000)	2018 (\$'000)
Corporate charge card facility	184	188
Borrowings	750	4,000
	934	4,188

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.

E - ADDITIONAL INFORMATION

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

E1 - LEASES AND CAPITAL EXPENDITURE COMMITMENTS

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases, with a leased asset recognised in the Statement of Financial Position. Other leases are operating leases and are not recognised in the Company's Statement of Financial Position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

	2019 (\$'000)	2018 (\$'000)
Capital expenditure commitments		
Above Rail	-	318
Below Rail	10,390	8,811
	10,390	9,129
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,180	1,487
Between one and five years	1,668	2,445
	2,848	3,932

The Company's operating leases relate to motor vehicles, office accommodation and sundry items of plant and equipment. The leases typically run for a period of five years with operating lease payments based on the terms of the underlying lease agreements.

During the year, an amount of \$1,611,000 (2018: \$1,648,000) was recognised as an expense in respect of operating leases.

E2 - AUDITOR'S REMUNERATION

	2019 (\$)	2018 (\$)
Audit services		
Auditors of the Company:		
Tasmanian Audit Office		
Audit the financial report	53,870	52,810
	53,870	52,810

E3 - DIVIDENDS

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

E - ADDITIONAL INFORMATION

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 2019. 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

The Company received the Tasmanian Government funding allocations for the 2019-20 financial year subsequent to balance date. These monies were applied to retire debt reported as at 30 June 2019.

Other than the item disclosed above, 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.

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.

E8 - OVERSEAS RELATED TRAVEL

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

	2019		2018	
	Total Trips	Total Cost	Total Trips	Total Cost
Overseas travel by the Directors and the Chief Executive Officer	-	-	-	-
Overseas travel by other employees	5	66,024	1	2,645

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 New Zealand. Multiple trips to China were required to comply with that country's visa requirements. The overseas travel in 2018 related to attendance at a course while on personal leave (travel at employee's expense). Only the costs of the course were paid for by TasRail.

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.

E - ADDITIONAL INFORMATION

E10 - NEW AND PENDING ACCOUNTING STANDARDS

New accounting standards

AASB amendment	Nature of change to Accounting Policy	Reporting periods commencing on or after	Application date for the Company
AASB 9 <i>Financial Instruments</i>	The standard affects financial assets and financial liabilities.	1 January 2018	30 June 2019
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards</i>	<p>AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to the Company's financial assets measured at amortised cost.</p> <p>The amendments arising from this standard have been assessed and have not changed the reported financial position or performance of the Company. However, AASB 9 contains 3 principal classification categories for financial assets. This has resulted in cash and trade receivables being reclassified from loans and receivables under AASB 139 to amortised cost under AASB 9. No change was made to the classification of financial liabilities.</p>	1 January 2018	30 June 2019
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfer to a customer – so the notion of control replaces the existing notion of risks and rewards.</p> <p>The amendments arising from this standard have been assessed and have not changed the reported financial position or performance of the Company.</p>	1 January 2018	30 June 2019

E - ADDITIONAL INFORMATION

E10 - NEW AND PENDING ACCOUNTING STANDARDS (CONT)

Pending accounting standards

The following standards, amendments to standards, and interpretations have been identified as those which may impact the Company in the period of initial application. They are available for early adoption at 30 June 2018, but have not been applied in preparing these financial statements. The Company intends to adopt these standards in the first applicable financial reporting period. The extent of impact, if any, that the initial implementation of the standards will have on the financial statements is set out below.

AASB amendment	Nature of change to Accounting Policy	Reporting periods commencing on or after	Application date for the Company
AASB 16 <i>Leases</i>	<p>The standard removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases.</p> <p>Management has assessed the impact of the new rules on the Company's financial statements and estimates on adoption of the new standard a Right of Asset of \$3.1 million will be created, a corresponding Lease Liability of \$3.2 million and an adjustment to retained earnings of \$0.1 million.</p>	1 January 2019	30 June 2020

TASMANIAN RAILWAY PTY LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2019

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 2019 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 2019.

Signed in accordance with a resolution of the Directors:



SAMANTHA HOGG
CHAIRMAN

Dated at Launceston this 5th day of August 2019.



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 Tasmanian Railway Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2019, the statements of 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 with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2019 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* (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.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 5 August 2019 and included in the Directors' Report, would be in the same terms if provided to the directors at the time of this auditor's report.

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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 to notes B2</i></p>	<ul style="list-style-type: none"> • Assessing the methodology used by the Company to estimate fair values. • Considering management’s conclusion that no adjustment was necessary. • Testing, on a sample basis, additions and disposals throughout the year. • Examining disclosures in the notes to the financial report for compliance with Australian Accounting Standards, including AASB 13 <i>Fair Value Measurement</i>.
<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 \$84.19m at 30 June 2019.</p>	
<p>The fair value valuation and impairment assessments 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 2018-19, management concluded that no revaluation adjustment or impairment was necessary.</p>	
<p>This is a key audit matter due to the high dollar values involved together with the inherent subjectivity of key inputs into the valuation.</p>	

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report for the year ended 30 June 2019, 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.

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

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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, related safeguards.

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
8 August 2019
Hobart

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Published October 2019

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