



ANNUAL REPORT

2012–2013



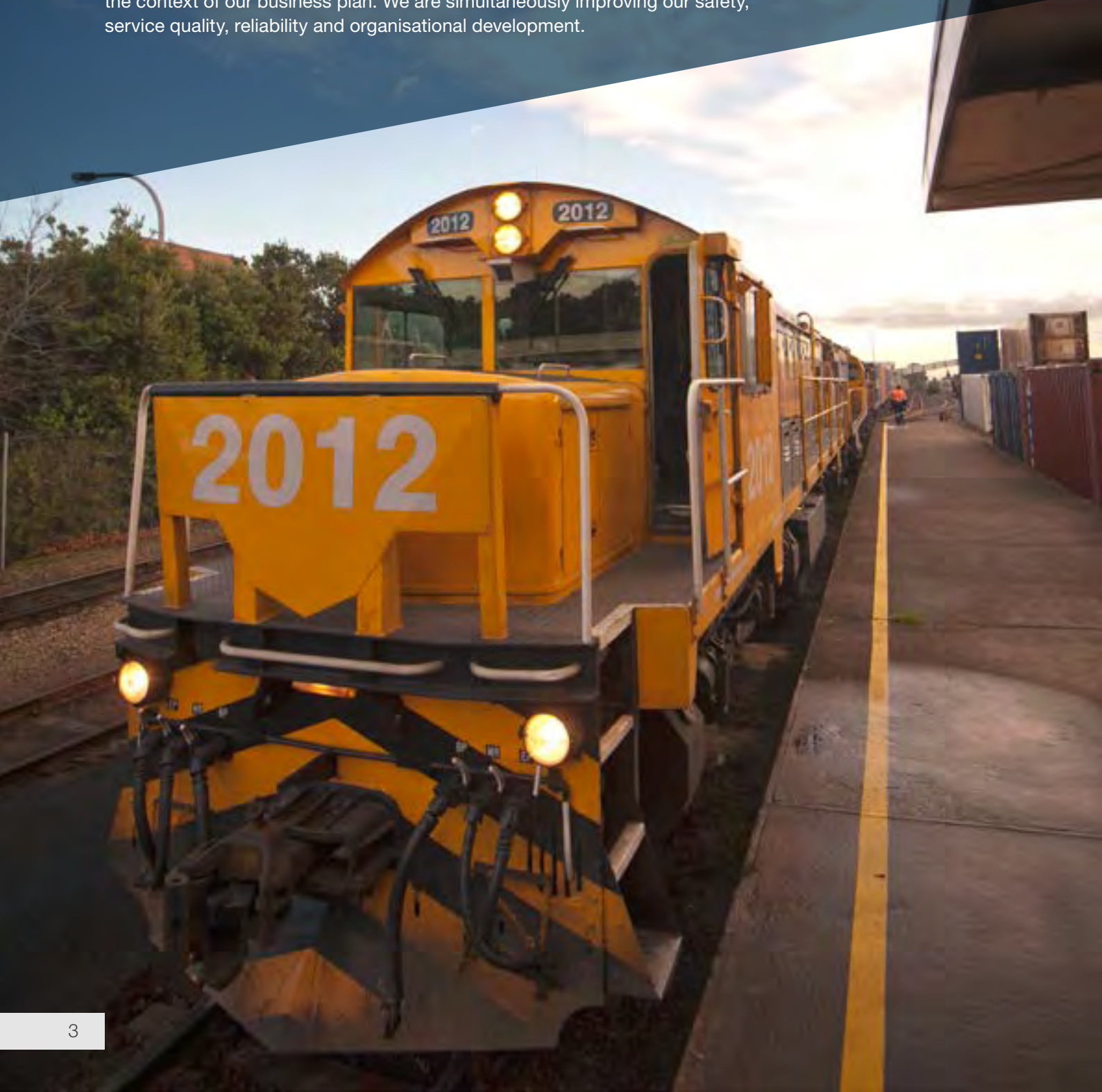


A landscape photograph showing a vineyard with rows of grapevines in the foreground. A yellow and green train engine pulling two orange freight cars is visible on a track in the middle ground. In the background, there is a green hill with a white house and trees under a cloudy sky. The image is partially obscured by a dark blue gradient at the top.

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TO BE A WORLD CLASS, VERTICALLY INTEGRATED, SHORT HAUL FREIGHT RAILWAY.

Achieving this ambitious goal requires that we challenge traditional thinking and relentlessly pursue value adding activities with our customers and within the context of our business plan. We are simultaneously improving our safety, service quality, reliability and organisational development.



THE TASRAIL WAY

This year saw the launch of *The TasRail Way*, which is a key part of TasRail's cultural change program. The booklet advocates the need for a proactive approach to safety and corporate integrity and why this is critical for our ability to continuously improve shareholder value.

Consolidating and growing our corporate reputation is a key component of our values.

TasRail's reputation flows directly from a set of core values that define not only what TasRail is, but also what the company aspires to be. Our core values centre on 'Safety, Integrity, Leadership, Teamwork, Responsibility, Excellence and Innovation', in addition to a proud recognition of our heritage.

The above values are also presently enshrined through a series of expectations, standards and codes of conduct, which until the publication of *The TasRail Way* had not been distilled into a single document.

The document outlines the principles that underpin the way TasRail approaches what are frequently complex social and economic decisions that affect us individually, and as a company, and are essential to our commitment to sustainable development.

In effect *The TasRail Way* constitutes the company's corporate conscience, always there in the background to guide us when it comes to making important decisions.

As a company TasRail has come a long way since its creation in 2009; however, when it comes to restoring the credibility and reliability of freight rail in Tasmania there is more to be done.

The conduct of TasRail employees collectively, or as individuals, directly influences not only how well the company performs but also how those outside of TasRail view the organisation.

Staying true to these values helps to promote long-term business success through productivity gains and contributions to our local communities.


OUR BUSINESS

TasRail is a vertically integrated, short haul, freight rail business that was created by combining the Below Rail assets (that the state had assumed responsibility for in 2007) with all of the Above Rail and Business Assets purchased from Pacific National in late 2009, including the Emu Bay Railway. Administration of rail funding from the Australian Government transferred from the Rail Management Branch within the Department of Infrastructure, Energy and Resources to TasRail late in 2009. This completed the amalgamation of the whole operating rail network within Tasmania, along with responsibility for future upgrading of the Below and Above Rail elements of the business.

Below Rail operations are responsible for upgrading, maintaining and operating the railway network and supporting infrastructure. Similar to the State's road network, the rail network is a critical piece of economic infrastructure that requires annual government funding to ensure that it is maintained to an appropriate safety standard.

The Above Rail business operates terminals, bulk handling and shiploading facilities and train services in response to customer requirements. It is also responsible to upgrade, maintain and operate the rollingstock fleet and to manage safe and authorised access to the network.

As an integrated business, TasRail is committed to delivering transport and logistics solutions that are safe, reliable and sustainable.

- 
- 1 shiploader
 - 374 wagons
 - 36 locomotives
 - 6 freight terminals
 - 2 bulk handling facilities
 - 140 train services in an average week

ABOVE

THE LINE

BELOW

THE LINE

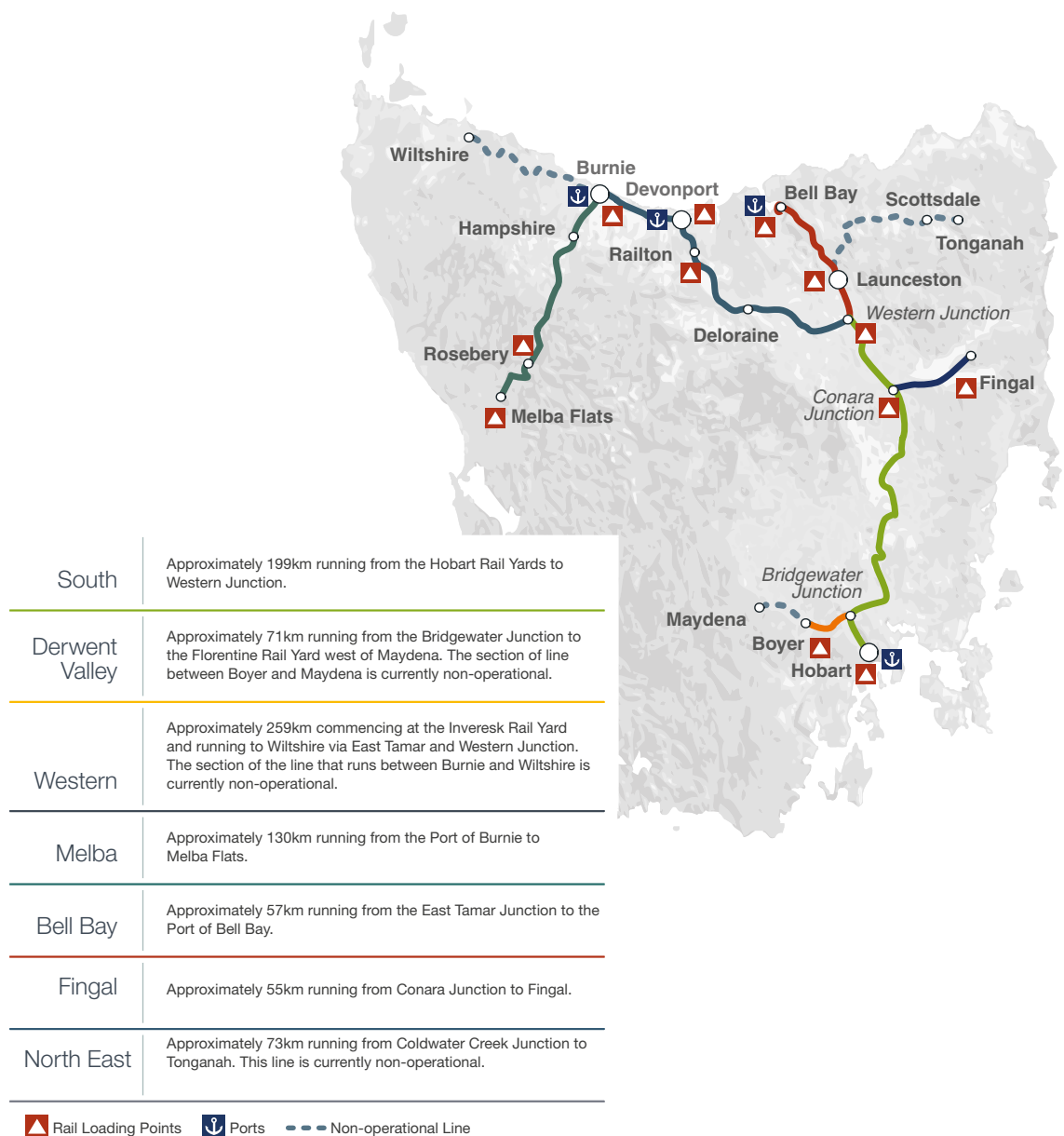
- 632 route km of operational track
- 211 route km of non-operational track
- 1.25 million sleepers
- ~500 level crossings
- 355 bridges
- 3 tunnels



WHERE WE OPERATE

The Tasmanian Rail Network dates from the late 1800s and its alignment has changed little since. The network is a single rail line, narrow gauge (1,067 millimetre) transport system and consists of a total of 632 route km of operational lines and a further 211km of non-operational lines.

The operational network extends from Hobart to Western Junction and to the Port of Bell Bay in the north east and Burnie in the north west. Connections are also provided to Fingal in the east and Boyer in the Derwent Valley. The Melba Line (formerly named the Emu Bay Line) connects the West Coast to Burnie.





MILESTONES

July 2012

- TasRail hosts a series of forums for the Rail Industry Safety Standard Board, attracting some 30 rail industry delegates from across the country.
- The first of TasRail's 100,000 concrete sleepers are delivered, which will drive up network reliability, capacity and safety while reducing maintenance costs.

August 2012

- National Rail Safety Week 2012 saw TasRail launch a community education campaign about the correct behaviour around railways, with a series of television and radio advertisements that also screened in Tasmanian cinemas.
- The first shipments of 47kg rail arrives from South Australia in preparation of rerailling work across the network.
- The revitalisation of TasRail's business took a major step with TasRail approving the purchase of 191 new wagons, a modern train control system and a wheel lathe.

September 2012

- TasRail's major long-term intermodal customer Norske Skog announced an \$84 million investment at the Boyer Mill over the next two years to enable the conversion of a newsprint machine to the production of coated paper suitable for catalogues.
- On behalf of TasRail, the Tasmanian Government applies for \$240 million in funding under the Australian Government's Nation Building 2 Program, which operates from 2014/15 to 2018/19. This investment would further improve the reliability, capacity and safety of the rail system and ensure Tasmania has an efficient rail network into the future.

October 2012

- TasRail confirms that Ulverstone-based construction company VEC Civil Engineering Pty Ltd was awarded a contract to build the new Forth River Rail Bridge.
- Following a detailed tender process TasRail awards the contract for construction of 191 new rail wagons to China CNR Corporation Limited (CNR). Included in the fleet are 120 intermodal wagons (for containerised freight), 17 coal wagons, 18 cement wagons and 36 ore wagons.

- Construction at the Blythe River Bridge is completed and tied in ready to resume rail services.

November 2012

- TasRail was audited by the National Rail Safety Regulator on our Safety Management System scoring zero non-conformances.
- TasRail wins National ARA Award for Safety Improvement and Innovation.
- TasRail signs a long-term contract with MMG Rosebery for a haulage agreement from Rosebery to the Burnie Port, including storage and bulk ship loading.
- Downer EDI Works Pty Ltd mobilised to begin the ballast cleaning project across the network to prepare for concrete sleeper installation.

December 2012

- TasRail announced a major tenancy agreement for the Brighton Transport Hub with the Toll Group. The agreement includes a long-term sub-lease that will see Toll commit to a substantial capital investment in new warehouse facilities, and a long-term freight haulage agreement that enables Toll to increase its usage of rail transport.
- An 84-hour shutdown of rail operations on the Western Line enables refurbishment of the Don River Rail Bridge, completed by VEC Civil Engineering Pty Ltd (for which VEC was awarded the State Earth Award by the CCF).
- TasRail endorses the final design of the new Tamper and Regulator machines being built in the U.S.A. and Queensland respectively. These machines ensure that the ballast under the track is a solid and reliable foundation, contributing to improved safety and decreased derailment risk.
- Export volumes peaked in December through TasRail's Burnie Shiploader at more than 50,000 tonnes. TasRail is working closely with existing and potential new mining customers to increase volumes through the Burnie Shiploader.
- TasRail endorses the final design of the new locomotive fleet being constructed by Progress Rail in the U.S.A. in partnership with Downer EDI Rail Pty Ltd. Seventeen new locomotives are under construction valued at approximately \$68 million.



January 2013

- Successfully made the transition from the *Rail Safety Act 2009 (Tasmania)* to the new National Rail Safety Law and national regulations.
- During the hot summer, high track temperatures are recorded across the network, but track upgrades and temperature monitoring prevent heat-related derailments.

February 2013

- TasRail donates 597 two-metre lengths of rail line to the Tasmanian Farmers & Graziers Association to distribute to farmers as part of TasRail's responses to the summer fires. The scrap rail line was used on the rebuilding of farmers' fences around the state.

March 2013

- TasRail sends driver and rollingstock maintenance representatives to Progress Rail in the U.S.A. to provide input on the construction of the new locomotive fleet.
- Rail freight services on the Bell Bay Line resumed following the signing of a commercial agreement between TasRail and Forestry Tasmania. The new contract is a watershed for TasRail and will see logs return to rail after an absence of nearly a decade. The agreement also sees the first commercial freight operations from the Brighton Hub. Tasmanian timber company SFM is providing timber loading services at the Brighton Hub.
- TasRail received Development Approval for a new loading site at Bastyan Dam on Tasmania's West Coast.
- The Australian Government announces \$5.2 million to match the State Government contribution in funding for the Bell Bay Intermodal Terminal at George Town. The refurbished terminal will be a focal point for container and log movements in the heavy industrial precinct at Bell Bay and will enable TasRail to service Bell Bay wharf and other customers.
- Phase Two of the Burnie Bulk Ship-Loader Project commences to ensure TasRail can continue to provide a high level of service to Tasmania's major miners and to prepare for future mining development in Tasmania.

- The Sustaining Locomotive Fleet project is completed, ensuring that TasRail can deliver reliable services to existing and new customers before the new locomotive fleet arrives in 2014.

April 2013

- TasRail relocates its Hobart-based staff to a new office in Hobart's CBD.
- Working with a key customer, TasRail and Cement Australia achieved a 98 per cent utilisation of all possible cement train services.

May 2013

- The Australian Government announces a further \$120 million in rail infrastructure funding for TasRail in the May Budget for investment between 2014/15 and 2018/19.
- Venture Minerals received state government environmental approvals for the Riley Creek iron ore mine on Tasmania's West Coast.

June 2013

- TasRail endorses the final design for the 120 new intermodal wagons being built by CNR Australia in China.
- TasRail ends the 2012/13 financial year having achieved a 33 per cent reduction from the previous year's results for the number of Lost Time Injuries.
- TasRail's Above Rail Business exceeded its annual revenue target.
- The new intermodal service between Launceston and Hobart carries around 4,600 TEUs in its first full year of operation.
- TasRail hauled an additional 9,796 general containers over the previous financial year, achieving a 40 per cent growth in general container movements.
- Downer EDI completes the ballast cleaning program in preparation for the installation of 100,000 concrete sleepers between Hobart and Burnie on approximately 71km of track.
- Working with key partners in the civil construction industry, TasRail completes Nation Building One Projects on the Fingal Line, Burnie to Western Junction, Western Junction to Hobart and Melba Lines.



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Our ref: TR-011012

Hon. David O'Byrne MP
Minister for Infrastructure and
Member, Tasmanian Railway Pty Limited
Executive Building
15 Murray Street
HOBART TAS 7000

Hon. Lara Giddings MP
Premier, Treasurer and
Member, Tasmanian Railway Pty Limited
Executive Building
15 Murray Street
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Dear Ministers

ANNUAL REPORT 2012-2013

I write to you in your capacity as a Member of Tasmanian Railway Pty Limited.

In accordance with Section 22 (1) (b) of the *Rail Company Act 2009*, we hereby submit for your information and presentation to Parliament, the report of Tasmanian Railway Pty Limited covering the period 1 July 2012 to 30 June 2013.

Signed in accordance with a resolution of Directors.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bob Annells', is written over a light grey horizontal line.

Bob Annells
Chairman

21 September 2013



REPORT FROM THE CHAIR



Looking back through last year's Annual Report, it's apparent to me that all of our collective efforts towards bedding down best practice corporate governance, procurement processes, and technical and engineering practices have borne significant fruit. It was essential for TasRail to establish this foundation before switching its primary focus towards the streamlining and expansion of its commercial operations.

Through a considered approach, the Board has overseen substantial advances in our capability to operate efficiently, while overseeing an ambitious capital works programme, both of which required the recruitment of myriad highly skilled people and contractors. In effect TasRail could almost be viewed as two entities: one focused on the delivery of 37 critical Business Transformation Projects; the other on the continued operation and expansion of rail services. Managing the overlap and interplay between the two has been no small feat.

An example of the gold standard for managing this interplay and of project delivery would have to be the refurbishment of the Don River Railway Bridge in partnership with Ulverstone-based VEC Engineering. Some 12 months of planning saw the entire bridge deck and associated track removed and replaced in under 90 hours, with minimal disruption to services on the Western Line. VEC was subsequently recognised with a prestigious engineering award for its work.

The Don Bridge is also an example of where TasRail's capital works programme has utilised a local contractor to undertake the work as part of our continuing efforts to engage Tasmanian companies, goods and services where it aligns with prudent commercial outcomes. The new Leven Bridge at Ulverstone was also recently completed, and the final North West bridge renewal, Forth, is expected to be completed around the end of the year.

Some of our other major contracts from last year, now coming to fruition will be the arrival of our 17 new locomotives along with 191 new wagons. The arrival of the new locomotives is perhaps the most tangible aspect of our transformation. In effect they will act as ambassadors for a rejuvenated TasRail as they traverse our upgraded rail network in the coming years. In addition to representing the best value for money for TasRail, the new locomotive fleet will deliver the company fuel savings in the vicinity of 25 per cent along with an increase in haulage capacity of around 45 per cent.

We've also seen work commence on the laying of 100,000 new concrete sleepers. The sleeper project is the culmination of an exhaustive search for a product that would not only meet our technical specifications but also provide the maximum value for money, not only in regard to their initial purchase, but also for longevity of operation.

The past year has seen TasRail reach a watershed moment where we are seeing a switch in our primary focus from the delivery of the Rail Recovery Plan towards the task of growing the business itself. Yet there is still a great deal more to be done. It's important to reiterate, however, that none of this would have been possible without the substantial funding commitments of the Tasmanian and Australian Governments, which have allowed for significant upgrading of our Above and Below Rail assets.

It's fantastic to see a number of new commercial opportunities for TasRail coming over the horizon after much hard work during the past 12 months. However, we need to remain mindful that TasRail still has limited resources and challenging logistics and infrastructure issues remain, despite our significant gains. It's also critical that while expanding the business we don't compromise on quality and service delivery to our existing customers.

This year has also seen the turning of the first sod on Toll Tasmania's new facility at our Brighton Transport Hub. It's anticipated we will relocate all our Macquarie Point services to Brighton within the next 12 months.

TasRail continues to enjoy a positive relationship with the Department of Infrastructure, Energy and Resources and Infrastructure Australia, along with the Australian Government Department of Infrastructure and Transport as our Capital Works Program progresses.

I would like to acknowledge the continuing high level of performance of our Chief Executive Officer, Damien White, and all of his staff during the restructuring process. The measure of the quality of a team is how they go about their work when the odds are stacked against them. From my position it's extremely rewarding to witness TasRail growing into an efficient and tight knit organisation.

I would also like to thank my fellow Directors for their continuing hard work during the past year. The amount of time and expertise they have brought to the Board has been of significant value and is much appreciated.

Lastly, but certainly not least, thanks go to the Hon. David O'Byrne and his staff for their continuing assistance and support that has seen TasRail through another challenging yet rewarding year.

I look forward to witnessing another year of determined rail revitalisation, as TasRail continues to fulfil the promise of becoming a world class, vertically integrated, short haul freight railway.



Robert Annells *Chairman*



REPORT FROM THE CEO



TasRail is now more than three years into its project to transform rail in Tasmania back to a reliable enabler of freight transport. The organisation has moved from the early period documented in previous Annual Reports of Rail Recovery, into the next phase of Rail Revitalisation. There have undoubtedly been challenges throughout the past year, and the enormity of attempting to deliver 37 key projects across the business is a daily reality. The more intangible process of delivering cultural change to a mature industry and organisation in times of rapid economic and political change also impacts on the business. All businesses face challenges, and TasRail is no different. What makes the process heartening is the continued appetite being demonstrated by TasRail customers to return to, or uptake, rail as a viable alternative for their freight needs.

TasRail has taken the notion of customer service seriously. It is built into our value proposition and is playing a strong part in the strategic development of our business, especially how we can provide additional value to our customers that enhance their freight logistics requirements.

Our continuing developments across three key intermodal locations: Burnie, Bell Bay and Brighton are integral to building this capacity in TasRail and offering pit-to-port, plantation-to-port and the possibility of paddock-to-port in the future as Tasmania's niche agribusinesses grow. The sod turning at the Brighton Transport Hub in 2013 by anchor tenant Toll was a strong signal that this part of the business is underway, and it has brought a confidence and visibility to the expanded services TasRail can now offer.

The log trial being undertaken with Forestry Tasmania similarly demonstrates a return to logs on rail for the first time in a decade. Work being undertaken with Elphinstone Engineering at Triabunna to design and build a cassette that accommodates both logs and containers is an Australian first, and it opens the door to north and south bound increases in freight and efficiencies between Brighton and Bell Bay.

As businesses and revenue have steadily built across the state, TasRail's capital projects have also continued at pace, with significant revitalisation to the rail network being completed. The 4 North West Bridges Project, a \$24 million component of the federally funded Nation Building Package, has now delivered three of the four bridges to rail operations with the remaining bridge, Forth River, on track for completion by early 2014. The overall project is therefore currently set to be delivered some four months ahead of schedule and is expected to be completed under budget.

The Concrete Sleeper Project is similarly on track, with large tranches of some of Tasmania's most difficult tight curves now being re-sleepered. The concrete sleepers will bring stability and strength to the track and improve safety with a view to eliminating derailments due to track degradation as much as possible. It is anticipated that the Concrete Sleeper Project will be completed around May 2014.

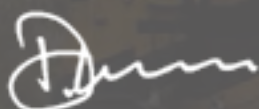
The historic lack of investment in rail infrastructure, and the impact of the deteriorated asset condition on the safety, reliability and consequently market share are well documented. Investment in the rail network to date, combined with improved operational practices, has enabled TasRail to achieve an incremental improvement in the safety of the rail network. However, much work still remains to be undertaken to bring the entire infrastructure up to modern day standards.

Notwithstanding the significant progress that has been made since TasRail's establishment to arrest the decline of the network, substantial work is still required to the track structures in order to continue to provide increasingly efficient and safe operations well into the future. There still remains significant sections of light rail that is near life-expired, and the replacement of this rail is but one critical component of our funding submission to Infrastructure Australia and the Department of Infrastructure & Transport. It was this submission that secured \$120 million of Australian Government funding announced in the May 2013 budget, which is scheduled to flow from July 2014. Such funding is required not only to replace redundant rail, but also to undertake other essential capital works designed to ultimately improve network reliability and to reduce operating costs, and therefore provide efficient and reliable rail transport services for Tasmanian industries for the long-term.

It is with some anticipation that TasRail awaits the arrival of its first new wagons and locomotives. The past year has seen numerous interactions with respective suppliers, with our staff working closely on the ground to ensure that the wagons and locomotives land in Tasmania fit-for-purpose on TasRail's network. This once in a generation purchase of new rollingstock is a significant milestone in rail revitalisation, and it forms the centrepiece of the 37 projects being carried out under the Future4Rail program.

I am overawed by the commitment of staff across TasRail to deliver this ambitious program. While we have many tangible indicators of the transition from Rail Recovery to Rail Revitalisation in the evidence of infrastructure advancement and asset delivery, less measurable, but increasingly visible, is the change in our culture. Future4Rail has, as one of its key planks, cultural change across the organisation. To transition the business into one that will achieve the vision of being a world class, vertically integrated, short haul freight railway, there needed to be a step change in the way we undertook the business of rail. Along with the Board and the Executive, I have asked TasRail staff to get on board with a daunting amount of work, technical change and behavioural change.

Being world class takes a lot of effort, and a tenacity of vision when the situation around you is intractable and littered with legacy issues. The past 12 months have comprehensively proven to me that the future for rail in Tasmania as we believed it could be at the outset of TasRail's establishment is achievable. With excellent staff, an investment in living our corporate values, a commitment to safety above all else, and a compelling value proposition to bring customers back to rail as a viable alternative to other modes of transport, I am proud of the achievements of the past year. I'm also excited about the next as our new locomotives become the flag bearers for freight rail innovation around the network



Damien White *Chief Executive Officer*

CORPORATE PRIORITIES

Vision – a world class, vertically integrated, short haul freight railway

KRA	OBJECTIVES	MEASURES
Customers	<ul style="list-style-type: none"> Continue to develop a leading position in the Tasmanian logistics industry to grow revenue and profitability. Build and maintain viable partnerships with existing and potential customers. Exceed customer expectations through TasRail's commitment to service. 	<ul style="list-style-type: none"> Revenue vs budget Margins Modernised contracts
Freight Services	<ul style="list-style-type: none"> Successfully introduce a new locomotive and wagon fleet to more effectively and efficiently service existing operations. Leverage the standardisation and interoperability of a more available, reliable, efficient and safe fleet. Substantially reduce rollingstock maintenance costs. 	<ul style="list-style-type: none"> Total Above Rail cost/Net Tonne km Fuel cost/Gross Tonne km Maintenance cost/Gross Tonne km Driver Cost/train km Locomotive & Wagon Reliability Locomotive & Wagon Availability On Time Train Arrival & Capacity Utilisation
Rail Network Infrastructure	<ul style="list-style-type: none"> Maintain operational lines within defined engineering specifications. Upgrade substantial sections of the network with concrete sleepers to facilitate a 'step change' in network maintenance costs and derailment performance. A key focus will be the transition from a reactive to a planned network maintenance regime. 	<ul style="list-style-type: none"> Track quality/condition index Maintenance \$/ track km Percentage of the network subject to Temporary Speed Restrictions
Terminals	<ul style="list-style-type: none"> Maximise business opportunities across all terminal interfaces by providing a seamless service across the rail to customer interface. Develop freight terminal capabilities in order for TasRail terminal to become local hubs for freight activity. 	<ul style="list-style-type: none"> Freight availability (on-time) Transaction times Total cost/TEU
Safety	<ul style="list-style-type: none"> Achieve zero harm to our people, the environment and community, and achieve best practice performance in rail and workplace safety. 	<ul style="list-style-type: none"> LTIFR AIFR Number of Environmental Breaches Derailments Level Crossing Collisions
Human Resources	<ul style="list-style-type: none"> Continue to develop organisational capability to satisfy the asset management, operational excellence and business management needs of the business. Become an employer of choice by providing appropriate career development opportunities commensurate with the needs of the organisation. 	<ul style="list-style-type: none"> Staff revenue ratio Staff identified and talent managed for succession Level of staff engagement Staff survey results
Business Model	<ul style="list-style-type: none"> Apply TasRail's 'Pit to Port' model where commercially and strategically sound. Leverage rail's natural advantage in hauling Bulk commodities and providing value to customers beyond rail haulage. Leverage TasRail's ownership of both the rail network and key freight terminals to grow Intermodal market share. 	<ul style="list-style-type: none"> Earnings before Interest, Tax Depreciation and Amortisation margin Profit before Tax for Above Rail Business
Stakeholder Engagement	<ul style="list-style-type: none"> Maintain our support within the broader community and continue building the reputation of the business. 	<ul style="list-style-type: none"> Political and community support for a 'Fit for Purpose' rail freight network Number of community complaints

*Values – ■ Safety ■ Integrity ■ Leadership ■ Teamwork
 ■ Responsibility ■ Excellence ■ Innovation*

TasRail's Corporate Plan is based on a five-year strategy that builds on the significant progress to date of the Rail Recovery Plan and seeks to transform the Above Rail business towards a more sustainable future. It should be noted that the Below Rail operations will always be expected to require an Annual Operating Grant from the Tasmanian Government for maintenance of the extensive railway network and associated infrastructure.

<p>KRA 1: Customers</p> <ul style="list-style-type: none"> Increasing market share using existing capacity through improved utilisation. Market development using new train plans. Work with industry to understand existing and potential freight flows for rail. Continue to develop relationships with customers in order to understand what other value-adding opportunities exist. Provide capability at terminals for Intermodal capacity/demand management. 	<p>KRA 5: Safety</p> <ul style="list-style-type: none"> Continue to develop a 'work safe' culture. Implement GPS-based positive train control system designed to prevent train collisions, speed-related incidents, protect track workers and increase network capacity. Strategic link with National 'Track Safe' program. Eliminate level crossing incidents and undertake risk assessment of all level crossings. Step change in safety delivered through locomotive and wagon replacement, and infrastructure upgrade projects.
<p>KRA 2: Freight Services</p> <ul style="list-style-type: none"> Fully exploit the benefits of the new locomotive and wagons fleets. Develop an effective Asset Management Plan, strategy, and supporting IT system. An increasing emphasis on safety, reliability and efficiency. Ensure we have the right resources – including sufficient train drivers. Develop an optimal train plan that caters for each customer segment for both short term and long term. Understand and exploit value-adding opportunities. 	<p>KRA 6: Human Resources</p> <ul style="list-style-type: none"> Undertake a comprehensive Business Transformation Program across the organisation in order to fully exploit the benefits of the new equipment. Develop a culture that embraces high performance, collaboration, safety and customer service. Identify and deliver critical and priority skill/capability needs. Develop an innovative staff retention strategy incorporating contemporary HR development initiatives. Develop and implement training and development plans to address business needs.
<p>KRA 3: Rail Network Infrastructure</p> <ul style="list-style-type: none"> Maintain current track monitoring and measurement regime to ensure network safety. Implementation of concrete sleeper program and installation of heavier gauge rail. Develop an effective Asset Management Plan, bridge strategy and supporting system. Implement 'fit for purpose' track engineering specifications and standards considering current and future business needs. Develop infrastructure enhancements to facilitate 24-hour turnaround between Burnie and Brighton. 	<p>KRA 7: Business Model</p> <ul style="list-style-type: none"> Fully exploit the benefits of the capital investment program. Maintain effective cost control to minimise overall costs and maximise efficiencies. Apply the TasRail Pricing Policy in all customer negotiations for services. Secure future Below Rail funding from the Australian Government.
<p>KRA 4: Terminals</p> <ul style="list-style-type: none"> Maximise the opportunities at the rail customer interface (i.e. 'Pit-to-Port'). Implement specific terminal strategies using terminal consultants, terminal managers and IT interfaces with initial focus on intermodal in order to fully exploit all commercial opportunities. Develop capability at terminals in order to proactively undertake capacity management. 	<p>KRA 8: Stakeholder Engagement</p> <ul style="list-style-type: none"> Develop key messages for engaging with stakeholders on the benefits of an increasing rails market share. Consider longer term brand opportunities and alliances with customers and stakeholders. Develop a holistic internal communications program.

PERFORMANCE TARGETS

TasRail's Statement of Corporate Intent was submitted to its Shareholder Ministers in 2013 in compliance with the Department of Finance and Treasury Reporting Guidelines for state-owned Companies. The document sets out TasRail's Strategic Direction, Key Initiatives and Performance Targets 2013/14 financial year, as well as Performance Estimates for the period 2014/15 through to 2016/17.

<i>Performance Target</i>	<i>2012/13 Forecast</i>	<i>2012/13 Result</i>	<i>2013/14 Forecast</i>
Recordable Injury Frequency Rate*	16.3	14.9	13.3
On Time Arrivals (Intermodal and Paper)	83%	78%	87%
Main Line Derailments	2	5	1
Customer Revenue ('000s)	\$35,623	\$34,549	\$38,070
Capital Spend ('000s)	\$88,466	\$60,714	\$113,028
EBITDA ('000s)	(-\$1,495)	(-\$1,899)	(-\$1,010)
Tasmanian Government Operating Grant ('000s)	\$16,288	\$16,288	\$16,569

*Injury Frequency Rate =
$$\frac{\text{Number of relevant injuries in the period} \times 1,000,000}{\text{Number of exposure hours worked for the period}}$$

The TasRail Statement of Corporate Intent is available for download at www.tasrail.com.au

OUR RESULTS

TasRail delivered a solid earnings performance in 2012/13 with Customer Revenue up 3 per cent over the previous year in a challenging freight market. Actual Customer Revenue rose \$1 million increasing from \$33.540 million in 2011/12 to \$34.549 million in 2012/13. The significant drivers of the Customer Revenue growth were increases in container and cement train traffic.

The Tasmanian Government Operating Grant for 2012/13 was \$16.288 million, a reduction of \$2.487 million compared to the \$18.775 million allocated in the previous financial year. TasRail's Corporate Plan through to 2016/17 foreshadows further decreases in the Operating Grant as Above Rail profits increase, which are used to reduce the Operating Grant.

The EBITDA result for 2012/13 financial year was a \$1.899 million loss. This is a \$0.3 million increase over the loss in the 2011/12 financial year and was due to a reduction in the Annual Operating Grant and reduced interest earnings on cash as TasRail's capital projects moved into delivery phase.

Loss for the year after tax, but before comprehensive income, was \$50.294 million after an impairment expense of \$45.233 million. The previous financial period recorded a Loss for the year after tax but before comprehensive income of \$36.294 million with an impairment charge of \$31.750 million.

Under Australian accounting standards and direction from the Tasmanian Treasurer, Australian Government contributions to fund Below Rail infrastructure are required to be recognised directly to equity and not as revenue. The treatment of these contributions as equity is the predominant reason for the reported loss.

As these infrastructure assets do not provide a direct commercial return to TasRail now or into the foreseeable future and are not able to be sold, the assets are subsequently impaired to nil value, which creates an impairment charge to TasRail's profit and loss. The impairment charge has a direct negative impact on TasRail's profit and loss. However, it is important to note that it is not an actual financial loss. The irony is, the greater the Commonwealth's investment in TasRail's Below Rail assets, the greater the impairment charge and associated loss.





The Tasmanian Government is providing a total of \$137.2 million of capital funding to TasRail over seven years to 2015/16. This will include the purchases of 191 wagons and 17 locomotives, a modern train control system, tamper and ballast regulator machines to maintain the rail formation, and for refurbishing the bulk minerals shiploader at Burnie Port.

Additionally \$210.5 million of Nation Building Funding (to 2013/14) has been committed by the Australian Government for approved Below Rail projects. During the 2012/13 financial year TasRail invested \$41.8 million of Australian Government funding on track upgrades across the network. The remaining Nation Building funds will be used for completing bridge works in the North West and the installation of 100,000 (~70 track km) of concrete sleepers during 2013/14.

In total, TasRail has invested \$60.7 million of Australian and Tasmanian Government capital funds during the 2012/13 financial year. This includes \$43.0 million in Below Rail and \$17.6 million in Above Rail assets. This represents a \$7.0 million increase over the capital program expenditure over 2011/12 and demonstrates TasRail's ever-improving project management and engineering capacity.

<i>Total Capital Improvement Activity</i>	<i>Quantity to 30 June 2013</i>
Number of sleepers replaced	314,338
Metres of rail replaced	52,597
Number of rail welds completed	5,075
Tonnes of ballast replaced	81,598
Metres of ballast cleaning completed	63,000
Number of bridges upgrade or replaced	40
Number of bridge transoms replaced	5,069
Number of level crossing equipment upgrades	124
Number of road crossings upgraded	164
Number of creep monuments replaced	2,032



SAFETY IS NOT JUST A PRIORITY – IT’S A CORE VALUE.

TasRail cares for the health, safety and wellbeing of our employees, contractors, visitors and people in our community. This is demonstrated by the continued energies devoted to improving our safety management systems as part of an Integrated Management System upgrade. These systems cover such processes as risk management, which helps to ensure that all people are kept safe. We are focused on proactive, rather than reactive, risk management and believe that the amount of time spent in proactive safety actions is directly proportional to the time spent in incident investigation and recovery.

Working safely is fundamental to the success of our business. A safety or health incident could lead to personal harm for an individual, which we strive to avoid at all costs. Employees are required to stop and complete a pre-task hazard assessment prior to commencing work activities to minimise the risk of an unplanned event. All our people are empowered – and encouraged – to stop work if they don’t feel safe.

TasRail works under the principle that all jobs can be performed safely regardless of the complexity of the task and everyone has a right to a safe working environment. The belief that all incidents can be prevented is built into the way we work. No one comes to work expecting to be involved in an incident, and there is an active culture of reporting any conditions that could lead to an incident. Prior to commencing activities, hazards are identified by the people performing the work and controls put in place to mitigate the risk to as low as reasonably practicable.

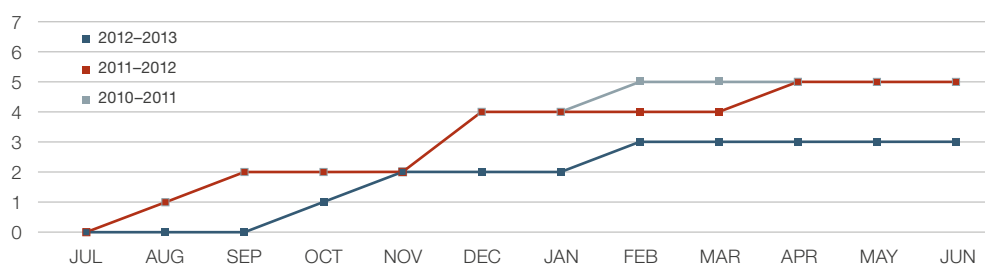
We will continuously review, improve and recognise successes in our safety performance. This is achieved through a number of Key Performance Indicators for Safety and Health. TasRail achieved target for Lost Time Injuries for the year with a lost time injury frequency rate of 4.1 compared to 8.1 in the previous year. Similarly, our medical treatment injuries saw a reduction of 50 per cent compared to the previous year. While these results indicate the positive work that has been achieved, we strive to continually improve the way we work.

Key Performance Indicators	2012/13	2011/12
Number of Lost Time Injuries	3	5
Lost Time Injury Frequency rate*	4.1	8.1
Number of Medical Treatment/Suitable Duties Injuries	8	16
Recordable Injury Frequency Rate#	14.9	34.2

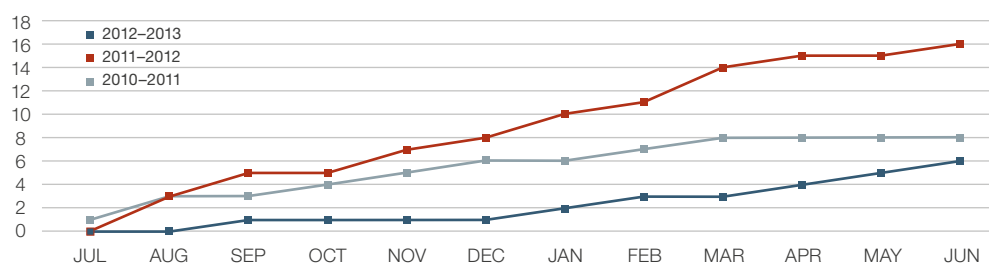
*Injury Frequency Rate = $\frac{\text{Number of relevant injuries in the period} \times 1,000,000}{\text{Number of exposure hours worked for the period}}$

#Recordable injury = All lost time injuries, medical treatment injuries and suitable duties injuries but does not include first aid injuries.

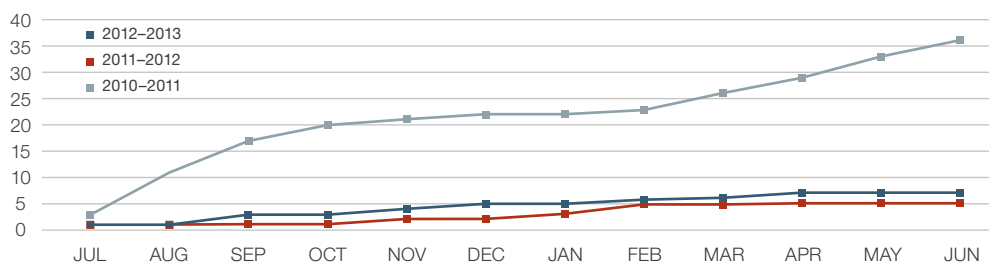
Lost Time Injuries



Medical Treated Injuries



Safeworking Irregularities



<i>Drug and Alcohol Testing</i>	<i>2012/13</i>	<i>2011/12</i>
Total Number of Drug Tests	203	111
Drug Test Performed – Random	144	85
Drug Test Performed – Post Incident	59	26
Positive Drug Test Results	1	1
Total Number of Alcohol Tests	253	233
Alcohol Test Performed – Random	183	199
Alcohol Test Performed – Post Incident	70	34
Positive Alcohol Test Results	0	0

DERAILMENT HARMONICS

During the last financial year there have been five mainline derailments. In two of the incidents the derailed wagons travelled for more than 2km, resulting in extensive damage to both infrastructure and rollingstock. A positive from these derailments has been the increased focus on understanding all contributory factors, resulting in improvements to investigations and analysis.

The increased focus has also identified High Centre of Gravity (COG) loading as a contributory factor in some derailments. Further investigation into TasRail's current (COG) limits and its relationship/sensitivity to track conditions has been completed by consultants Worley Parsons. This analysis provides valuable data for eliminating factors in future and also allows better understanding of the track/wagon interaction and the harmonic rocking characteristic that can be produced.

This improved understanding of harmonics and its impact on rollingstock resulted in the banning of 25km/h Temporary Speed Restrictions (TSRs). This followed on from the Worley Parsons reports and the results of the stability tests carried out on the Fingal Line, which identified that harmonic oscillation of a loaded container wagon poses significant risk of derailment in certain conditions; Worley Parsons also verified results via computer simulation.

This year has also seen additional track geometry data runs, which allow more advanced analysis. This is an ongoing process continually capturing more data with each event, which ultimately aids in the prevention of derailments and assists in drawing accurate conclusions/recommendations for derailment reports.

The introduction of a General Manager Asset Management into the executive team will help in continuing to develop a team attitude within the rollingstock and infrastructure departments. This will ensure a common focus and sharing of knowledge across each area and an integrated approach to analysing derailments.

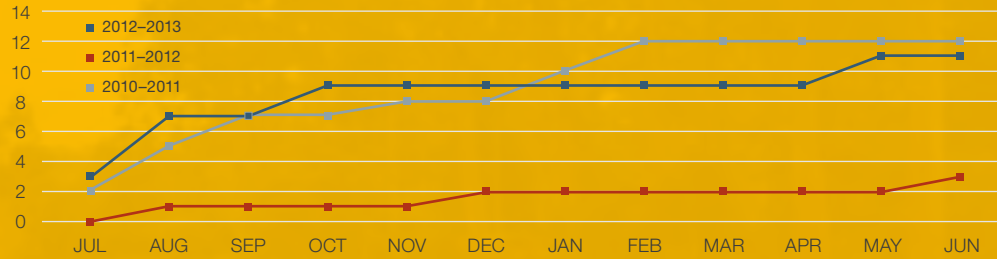
TasRail has also engaged the services of one of the world's leading derailment investigators who is scheduled to work intensively with TasRail for a couple of weeks. He will assist in a review of past incidents, current operations and in developing preventative actions moving forward. The specialist investigator will also be running a series of workshop sessions further improving how derailments are handled, investigated and mitigated as an organisation.

Main Line Derailments

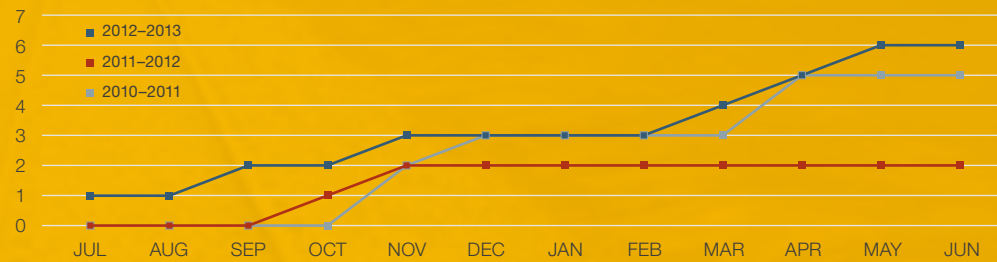
<i>Location</i>	<i>Brief</i>	<i>Contributory Factors</i>
KP S56.5	Single Wagon derailed at KP S56.5, minimal track damage	Excessive Speed
KP M98.7	15 Wagons derailed on Melba Line, track damage	Track geometry due to underlying culvert failure
KP S97.0	Extensive track damage over 2kms due to single wheelset derailing	Loading imbalance and possible harmonic instability
KP S48.0	Extensive track damage over 2kms and wagon damage, DGs include in incident	Track Geometry
KP S64.6	Track and bridge damaged	Track Geometry and High COG

RELIABILITY REINVIGORATED

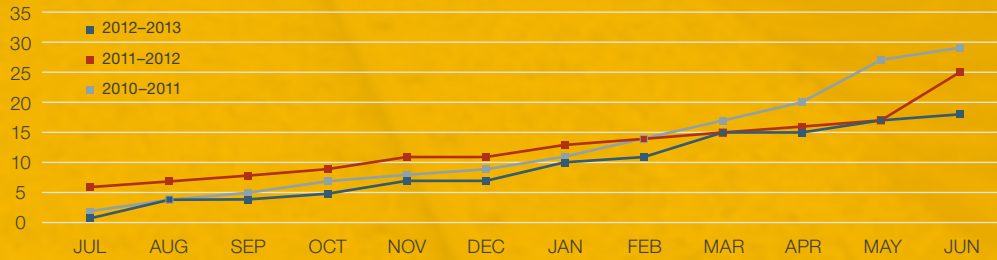
Yard Derailments



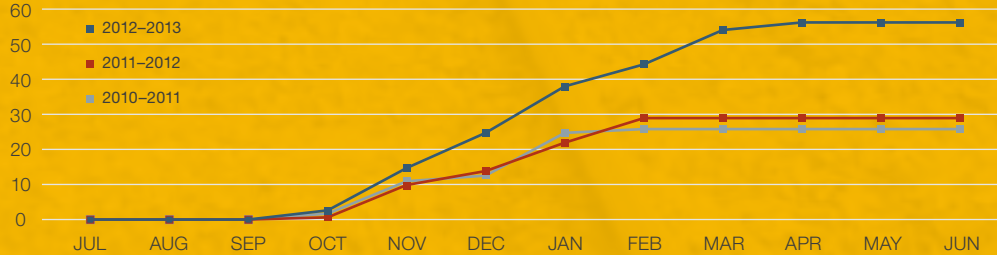
Running Line Derailments



Total Rail Breaks



Total Heat Buckles & Misalignments

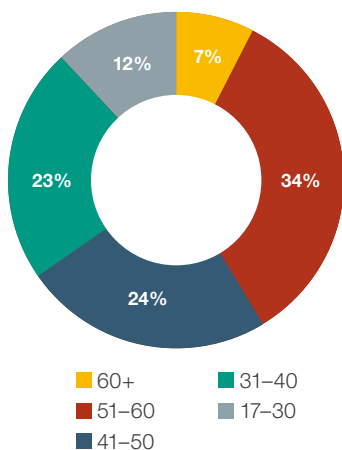


OUR PEOPLE

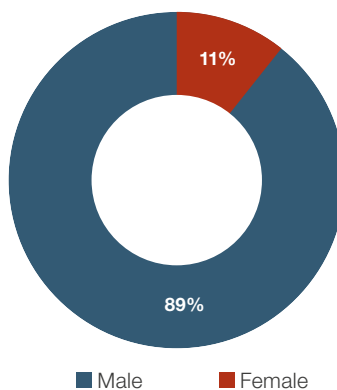
The past year has been an exciting, challenging and very busy time to be employed at TasRail.

The extent and diversity of projects associated with the *Future4Rail* initiative concentrated around the ambitious capital improvement program, development of new business systems and the challenges of managing an inherently complex change program has brought opportunities for TasRail to recruit new and additional skills to TasRail and Tasmania. The combination of these new skills and the retention of its core skills base developed over many years in the Tasmanian rail industry is leading TasRail and its people through a once in a generation opportunity to transform the state's rail freight business. The legacy of this period will see significant capacity building across the business and the development of future leaders.

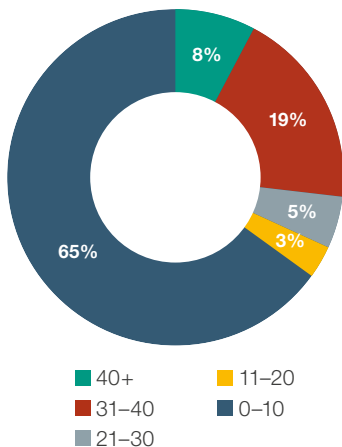
AGE Profile



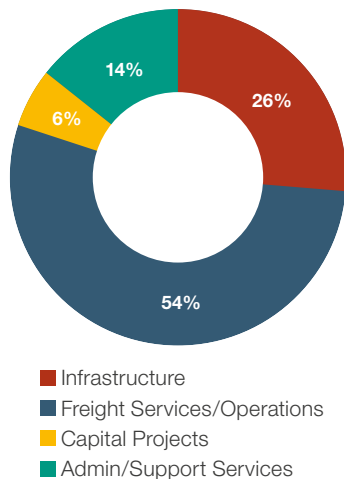
Gender Profile



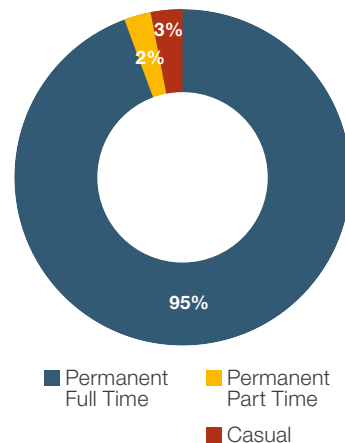
Years of Service



Division Profile



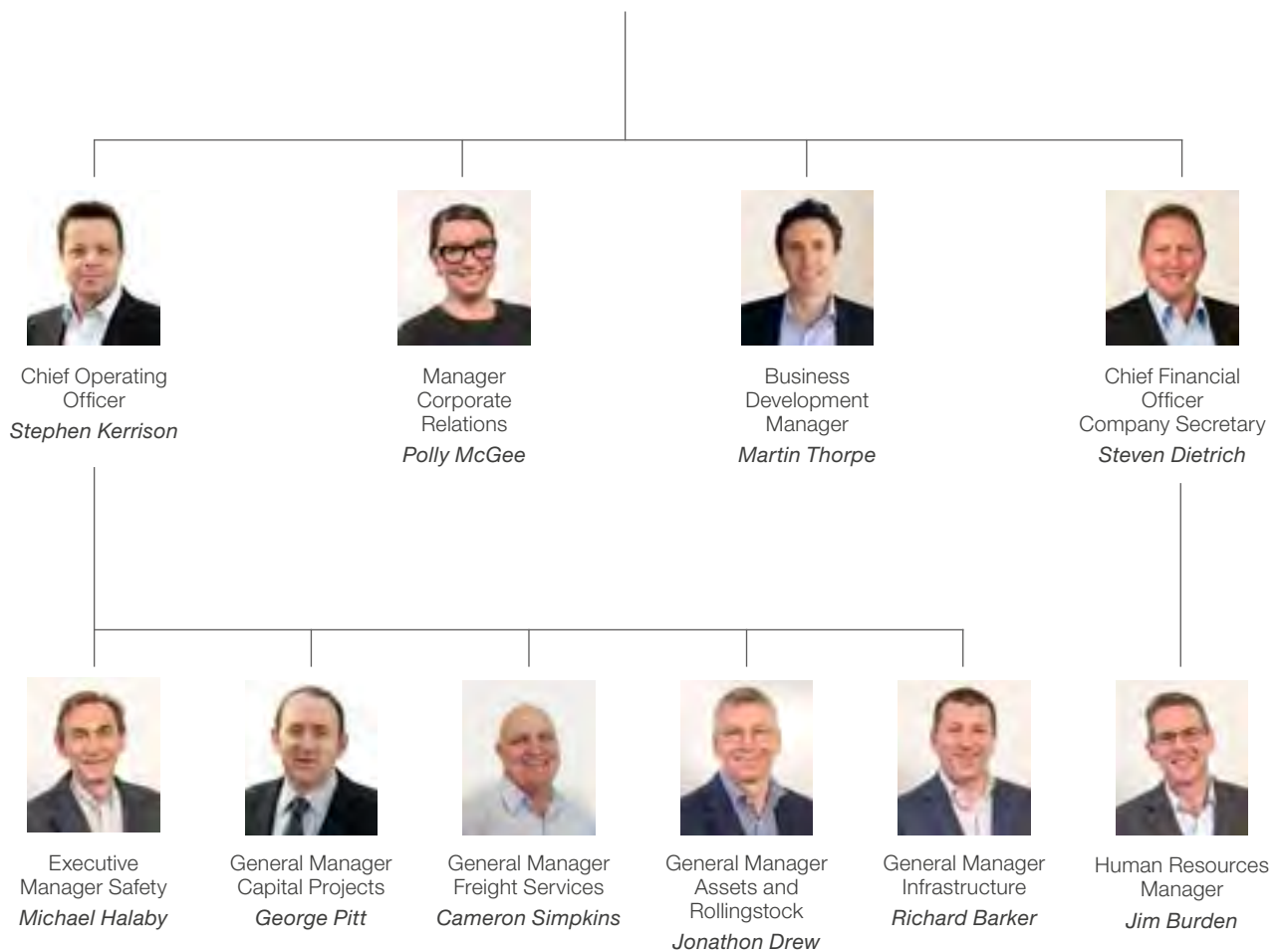
Employment Status



EXECUTIVE TEAM



Chief Executive Officer
Damien White



ANNE SIMPSON

Home Grown Tassie Talent

Anne Simpson started her role at TasRail as a Project Manager with the Capital Projects team on an auspicious date – her 30th birthday. Anne is currently working on the Burnie Bulk Handling and Melba Flats project, one of a suite of 37 projects being undertaken as part of TasRail's business transformation.

For TasRail to succeed in its ambitious program of revitalising rail, our staff are critical across all areas of the business. Ensuring that we recruit and retain excellence is a key objective in the sustainability of the company.

Anne is a classic example of the variety of pathways into adult learning and career development. A mum at 16, Anne didn't go to college, but went to UTAS at 25, completing a Bachelor of Regional Resource Management from UTAS Science Faculty with majors in Natural Resource Management and Community Development. Prior to her role at TasRail, Anne worked as a Project Planning Officer at the Central Coast Council. Anne also received a Young Citizen of the Year Award in 2007 from the Meander Valley Council.



Some of the key qualities Anne uses to great effect in her work are her skills in communication and her capacity to tightly manage time, cost and quality. Her ability to get along with her co-workers when coupled with her drive, initiative and 'can do' attitude has made her a key asset in the Burnie office, so much so that she has been chosen as one of TasRail's Change Ambassadors. As a result, Anne will ensure the Burnie based frontline staff are kept informed of all the changes that are part of the business transformation, in addition to being involved in critical decision making.

Anne is a passionate adventurer – roaming around beaches and scaling a few mountains in her spare time, but has no plans to leave Tasmania – or TasRail. She hopes to build on her work to date, find a way to incorporate her science background into future roles, and continue to contribute to the community, values and culture of TasRail.

AGENTS FOR CHANGE

Our people – at all levels and across all areas – are critical to transforming our business and making the best use of the new equipment, infrastructure and technology. However, change is tough and change of the magnitude being undertaken through *Future4Rail* is even tougher. To support our people through this transition, a Change Network has been established, consisting of Change Agents (5) and Change Ambassadors (26). The Change Agents, who are Subject Matter Experts, have been selected from across our business – operations, infrastructure and maintenance – to play a key role in the change management processes and, in particular, the transition from the project phase into day-to-day operations. Change Agents are instrumental in providing accurate and timely advice to the project teams and business areas, inputting into the development of 'Future' business processes (streamlined and more efficient), supporting two-way communications between day-to-day operations and the project teams, and assisting in the testing, implementation and roll-out of changes.

Our 26 Change Ambassadors are our front line 'go to' people in the change management process. If TasRail employees have questions or concerns about the changes or suggestions on how to further improve performance, our Change Ambassadors have the answers or know who to contact to get the answers quickly. The Change Agents and Change Ambassadors work closely to ensure a seamless, consistent and continual flow of information so that everyone is 'Getting On Board' with the changes and knows what is happening, and when and how they will be affected.

Through the Change Network and line managers, the TasRail Workforce right across the business – from Hobart to Burnie, have access to the right information and input into the change process to ensure that the business transformation is adopted and endorsed.



BUILDING BRIDGES

The past 12 months have seen our significant investment in major bridge replacement move from planning to delivery. The 4 North West Bridges Project, a \$24 million component of the federally funded Nation Building Package has now delivered three of four bridges to rail operations with the remaining bridge, Forth River, on track for completion by early 2014. The overall project is therefore currently set to be delivered some four months ahead of schedule and is also expected to be completed under budget.

The four bridges include the replacement of the Blythe, Leven and Forth River bridges on new improved alignments and the rehabilitation of the Don River Bridge, all of which were classified as life expired.

Indeed a major benefit of the project is the elimination of some of the highest network risks in terms of disruption to rail traffic in the event of bridge failure. Due to the underinvestment and lack of capacity to undertake such projects prior to TasRail, and the extent of bridge deterioration due to the coastal environments, the possibility of sudden failure could not be ruled out in the immediate years ahead. Accordingly, the highest priority has been placed on the planning and delivery of these bridges.

Other key benefits include upgraded alignments resulting in improved transit times and reduced rail maintenance, increased bridge load capacity to 30 tonne axle load, new concrete sleepers and 47kg rail, full length operational walkways improving safety for operations and infrastructure staff, and 100-year-life, maintenance-free bridge structures.

The project has been meticulously planned and delivered, including deep and ongoing engagement with internal and external stakeholders resulting in highly valued outcomes to date. The cornerstone of the planning effort has been the successful delivery of the bridge tie-in possessions, including the 84-hour Don River Bridge superstructure replacement and the 60-hour rail tie-in at Leven Bridge, completed in late July 2013.

**\$24
million**

Building the Nation
federal funding

**61,000
work hours**

to end June 2013
LTI free

**June 2014
deadline**

currently four months
ahead of schedule



Partners in Project Success

TasRail as project client is setting standards for internal project communications for new bridge and rail alignments with Infrastructure – developing rail possession plans for bridge tie-ins with Freight Operations and Network Access. Organisational wide cooperation and support for the projects have been very high, enabling a high level of delivery.

Engaging and selecting the best design, construction and value partner to physically deliver the projects has been integral to the success of the 4 North West Bridges Projects. Local firm, VEC Civil Engineering, successfully tendered the first bridge contract for Blythe and then went through a collaborative Early Contractor Involvement (ECI) process with TasRail to secure the following three contracts. This approach has delivered significant benefits to TasRail and VEC alike through efficiencies in design, re-use of construction processes and continuity of project delivery. VEC Civil Engineering has won two awards for the bridge projects so far.

Local government and nearby communities have also played a significant part in the 4 North West Bridges Projects. The bridges are located across three local government areas: Burnie City Council, Central Coast Council and Devonport City Council. Planning approvals were required for the Leven and Forth bridges. Relationships have been formed with each Council and they have been regularly communicated with regarding key stages of each project. Local residents, businesses and community groups have also been regularly consulted. Activities include community information meetings, letter drops prior to key project stages and direct contact with those most closely affected.

Of particular interest to the local community adjacent the Forth River Bridge is the future of the existing bridge once the new bridge is completed. The existing bridge is not being demolished. It has heritage protection due to its unique movable ‘swing’ spans that once allowed tall ships to pass in the 1800s. Alternatively, there is a very positive drive in the local community and Central Coast Council to re-purpose the bridge into a shared pathway. Given the council can successfully secure funds for the conversion to a footbridge, we will see a great outcome facilitated by our upgrade works.

4 North West Bridges Project – Fast Facts

<i>Budget, funder</i>	\$24 million, federally funded under the Nation Building Package Currently forecast to be completed under budget
<i>Scope</i>	Replace on new improved alignment – Blythe, Leven and Forth River Bridges Upgrade Superstructure – Don River Bridge
<i>Program</i>	Must be complete by June 2014; currently four months ahead of schedule Blythe, Don and Leven already delivered
<i>Key Partners</i>	mb&a Project Consulting – project management and delivery Pitt&Sherry – Initial concept design, statutory planning and technical advice VEC Civil Engineering – Design and Construction Partner
<i>Safety</i>	61,000 manhours to end June 2013, LTI free

LOCOS AND WAGONS

The New Wagon Project

The New Wagon Project constitutes the procurement, design, manufacture, delivery, commissioning and training of operators and maintainers for new coal, cement, ore, and intermodal wagons for TasRail.

TasRail is replacing the majority of its wagon fleet. New wagons are being designed and manufactured by CNR in Shenyang, China. One hundred and ninety-one wagons are being manufactured, made up of 120 intermodal wagons, 36 ore wagons, 18 cement wagons and 17 coal wagons. This will enable TasRail to provide reliable, efficient and competitive freight transport throughout Tasmania into the future, with up-to-date equipment reducing maintenance, improving availability, reliability and safety.

Two prototype wagons of each type are scheduled for delivery to Tasmania in September 2013. These wagons will undertake testing and commissioning and, subject to performance, the remaining wagons will be built in November/December, for delivery in early 2014.

The bogie for the new wagons is a 20 tonne axle load Low Track Force (LTF) bogie that will become standard across all wagon fleets. This bogie features technology such as cross bracing for improved steering, wheel wear and track twist negotiation, constant contact side bearers and customised suspension for improved dynamic stability and ride.

The ore wagons are capable of 72 gross tonne operation and will carry 7–15 tonnes per wagon more than the existing fleet. They are of stainless steel construction and compatible with all existing infrastructure.

The coal wagons are capable of 80 gross tonne mass operation and will carry 7–15 tonnes per wagon more than the existing fleet. They are of stainless steel construction, have improved discharge door design – fully automated and are capable of continuous motion discharge.

The cement wagons will carry 8–9 tonnes per wagon more than the existing fleet, are of stainless steel construction and have been designed with better sealing of doors to eliminate cement dust leakage.

The intermodal wagons are capable of 80 gross tonne mass operation (maximum 33 tonne 20' containers and 36 tonne 40' containers) and have a 16.1 tonne tare mass. This matches the lighter of the current wagons. The centre of gravity also matches or exceeds that of the current wagons. The new wagons have a dual brake system for ideal operation in all loading conditions and the container twist lock locations are designed for ease of loading.





The New Locomotive Project

The New Locomotive Project is for the procurement, design, manufacture, delivery, commissioning, training of drivers and maintainers for 17 new diesel electric locomotives.

TasRail is replacing its ageing locomotive fleet. New locomotives have been designed and manufactured by Downer EDI in a joint venture with Progress Rail of the U.S.A, which is a subsidiary of Caterpillar. Seventeen locomotives have been ordered in total.

This will enable TasRail to provide reliable, efficient and competitive freight transport throughout Tasmania into the future. The new fleet will ensure significant improvements in the safety, reliability, efficiency and capacity of rail freight services in Tasmania.

The new locomotives are a 12-cylinder, four stroke diesel engine, which is expected to deliver 25 per cent reduction in fuel use and a 45 per cent increase in haulage capability.

Our drivers and maintainers have been intimately involved in the design of the locomotive. TasRail's new locomotives are the first in the world to use 3D simulation software to facilitate evaluation of the cabin layout by the TasRail driver representatives prior to manufacture commencing.

Eleven underframes have been built and delivered to the assembly plant already, with four locomotives fully assembled and commencing testing activities. Final testing and inspection processes are under way with the dispatch of the first two locomotives due in November 2013 for commissioning.

The schedule for delivery means that six locomotives will be delivered by February 2014, with the balance in two tranches due April and August 2014.



TOTAL CONTROL

TasRail currently operates a 'dark territory' safe-working system based on the track warrant rules system used in North America. The system was implemented in 1990 and uses paper-based authorities, which are read to trains and track gangs on an open-channel radio system. The system is largely based on adherence to rules and procedures by train controllers, drivers and maintenance staff. The train controller portion of the existing system is computer assisted. TasRail has a single network access Train Control Centre (TCC) located in Launceston. The TCC is staffed 24 hours a day, seven days a week by a dedicated number of train controllers.

In September 2010, TasRail undertook a review of safety incidents and identified a number of areas for improved compliance. Many of these relate to human factors associated with manual transmission of authorities, execution of authority limits and speed limits. The upgraded Train Control System was conceived as a means of reducing safety risks as well as improving productivity and efficiency. The objectives of the project are:

- To obtain a minimum 80 per cent reduction in safe-working breaches;
- To improve speed limit compliance;
- To improve capacity of the system by streamlining the transmission of authorities; and
- To provide improved efficiency of train operations through incident reduction and improved knowledge of train and work gang.

The selected Train Control solution from Invensys (now Siemens) is a communications-based system. The system introduces graphical schematic panels in the TCC for management of vehicle movements. Each locomotive and track vehicle is fitted with an On-Board Computer (OBC) and displays the vehicle position and speed using a GPS receiver. Authority for access to the network is communicated via data transmission and conflicting authorities eliminated by the use of GPS. Drivers are provided real-time warnings relating to authority and speed compliance.

The TCC interfaces to the TasRail Rail Asset Management System to receive information about train schedules, Temporary Speed Restrictions (TRSs) and other Track Bulletins. Train arrival and departure information is sent back in return.

Onboard computers are fitted to locomotives as well as hi-rail vehicles, providing protection for all track users. In addition, a number of portable units are available where an unfitted vehicle is required to operate on the network.

To date TasRail has completed the preliminary design phase with the detailed design phase concluding in September 2013. Factory testing is scheduled for October/November 2013. Pilot trials will commence in January 2014. Staged commissioning and bringing into operation will follow and should be fully operational in mid 2014.

The upgraded TasRail System applies new technology to provide a cost-effective solution of Train Control for the TasRail network. The solution is aligned with the existing TasRail Track Warrant Control operating rules. It will supplement these operations to provide an enhanced level of safety and capability, and a basis for future enhancements.



INTERMODAL INNOVATION

Fast Facts

- 9,796 TEU increased by 40 per cent
- Greater utilisation of existing services between Hobart, Launceston and Burnie
- Increased customer confidence in rail transport with modal shift from road to rail
- New long-term rail haulage agreement executed with Toll facilitating transition to Brighton in mid-2014
- New Timber Rail Service operating at TasRail Brighton Terminal to Bell Bay
- Approval for development of TasRail Bell Bay Terminal
- Strong understanding of contestable rail freight market in Tasmania.

TasRail transported more than 34,000 TEU of general freight containers, which represents an increase of 40 per cent on the previous year. The majority of the increase came from the Hobart to Burnie service. A greater utilisation of recently established services from Launceston to Hobart and Burnie to Launceston contributed to the significant increase in containers on rail.

The successful transition to diversify container freight on rail enabled TasRail to maintain a good level of utilisation through the peaks and troughs of seasonal demand of a dynamic Tasmanian market. Through existing and new freight partnerships, TasRail was able to secure mixed container commodities, such as sugar tanks for Cadburys at Claremont, fertiliser for the agricultural industry and fish food for the aquaculture industry. TasRail's improved reliability has enabled the business to provide time-sensitive rail freight services to the highly demanding retail sector throughout Tasmania.

The TasRail 3Bs – Burnie, Brighton and Bell Bay

For the 2013 financial year, TasRail received approval to proceed with the development of the TasRail Bell Bay Terminal. This new facility will accommodate a mixture of freight including containers and timber.

The positioning of the TasRail Bell Bay Terminal will complete the triangulation of safe, sustainable and efficient rail services throughout Tasmania.

The TasRail Brighton Terminal is currently being utilised for log freight services. It is anticipated that in the 2014 financial year, intermodal services will begin to operate from TasRail Brighton.

Paper

The paper market was challenged in the 2013 financial year with falling demand for domestic newsprint paper. Norske Skog Boyer has diversified into different paper markets to remain competitive. TasRail has worked closely with Norske Skog to develop efficient rail line haul operations within Tasmania to meet the demands of the paper industry.

In the 2013 financial year, TasRail railed more than 33,000 TEUs between Burnie and Boyer.

Log Freight

In March 2013, TasRail re-entered the log freight transportation business with an agreement reached between TasRail and Forestry Tasmania for log freight between TasRail Brighton Terminal and Bell Bay. TasRail provides services to haul approximately 75,000 tonnes of timber freight annually, which is equivalent to an estimated 5,000 linehaul road movements.

WORKING WITH BULK

Fast Facts

- Cement services exceeded forecast expectations with annual growth in cement hauled increasing by 10 per cent
- MMG and TasRail signed a new long-term agreement for haulage services between Rosebery and Burnie
- TasRail continued to provide full supply chain solutions to enable mineral producers to reach domestic and international markets
- Exported volume through the shiploader peaked in December at more than 50,000 tonnes
- Increased demand for rail services from new emerging mining projects.

MMG

TasRail has continued to provide haulage services for mineral concentrates produced at MMG Rosebery. For the 2013 financial year TasRail and MMG secured an extended and modernised service agreement for all rail services between Rosebery and Burnie and for storage and shiploading services at Burnie. MMG and TasRail have operated on a sustainable basis for a number of years and both companies look forward to a long and productive future at Rosebery.

Copper Mines of Tasmania

Copper Mines of Tasmania is a subsidiary of Vendata Resources, a global commodities producer. Throughout the 2013 financial year, TasRail provided a fully integrated logistics solution for all minerals produced by Copper Mines of Tasmania for transport to Burnie. Storage and shiploading services were provided at Burnie to enable material to be exported via ship to international markets.

Cornwall Coal

Operating from the heart of the Fingal Valley, TasRail has continued to strengthen its partnership with Cornwall Coal via providing rail services to both a loading terminal and a major customer of the company.

TasRail and Cornwall Coal investigated a number of options regarding efficient, sustainable coal supply chain logistics.

Cement Australia

Cement production increased year on year by 100,000 tonnes. This is a strong recognition of the high quality of cement produced at Railton and unique services that TasRail provides in the bulk transportation of cement between Railton and Devonport.

TasRail and Cement Australia achieved 98 per cent utilisation of all possible cement services in April 2013, which was a record for the year.

Mineral Exports

With the volatile price fluctuations of mineral prices throughout the 2013 financial year, TasRail and mineral producing customers developed a number of strategies at the Bulk Handling Facility to aid in maintaining Tasmanian competitiveness in the mineral export market.

It is anticipated that mineral prices and the Australian Dollar exchange rate will continue to remain volatile throughout the 2014 financial year. TasRail will continue to add value to existing and new companies operating within the Tasmanian mineral sector by providing competitive services and achieving a high level of productivity.

FREIGHT SERVICES PERFORMANCE

TasRail's customers require consistent and reliable train arrival and departure times. This is particularly important for those customers who require their product loading and/or unloading activities to be coordinated with domestic and international shipping schedules.

Our credibility to attract and grow freight volumes for this business segment requires continuous improvement of performance and service levels, and it is pleasing to report that train arrival performance improved from 81.5 per cent in 2011/12 to 88 per cent in 2012/13. Train departure performance, which significantly influences train arrival times, also increased to 92 per cent in 2012/13, up from 91 per cent the previous year.

Intermodal customers have demonstrated their confidence in TasRail's ability to deliver service, with the introduction of new train services between Hobart and Launceston. A clear indication of the trust customers have placed in TasRail is the carting of time-sensitive consumer products from Launceston to Hobart. This is business that was previously conducted by road transport. With this added service, it has resulted in the knock-on benefits of reopening the Bell Bay line through carting logs north. With the opening of the Brighton Transport Hub, this facility has demonstrated its ability to offer world class freight distribution into the south of the state. Intermodal services increased by 423 trains, or 35 per cent on the previous year's activity.

Work has commenced on the upgrading of the Burnie port, which is due to be completed in mid 2014; this will prove to be an exciting adjunct to the mainline services between Burnie and Hobart.

For bulk commodity customers, their priority is that TasRail provides a constant reliable service. A measure of TasRail's service performance is therefore our capacity to ensure all required volumes are shiploaded and exported in quantities consistent with customer orders, shipping manifests and sailing schedules. TasRail's long-standing bulk customer in the mining industry, MMG, has had stepped increases in output due to demands from the mainland. TasRail was able to meet these spike demands, and it provided service delivery that demonstrated record volumes through the course of the financial year. In 2012/13 TasRail met all required shipments for bulk commodities.

<i>Train Type</i>	<i>Number of Services 2012/13</i>	<i>Number of Services 2011/12</i>	<i>Change in Performance</i>
Intermodal	1620	1197	423 (35%) ▲
Bulk	4861	4602	259 (5.6%) ▲

~140
Train services/week
(8.6 per cent increase on 2011–2012)

92%
Train departure performance
(within 30 mins)

88%
Train arrival performance
(within 30 mins)

RAIL SAFETY WEEK 2013

Train Yourself to Stop.

Rail Safety Week 2013 significantly engaged multiple platforms to ensure that the critical message of level crossing awareness reached as broad a market as possible. TasRail worked closely in a nationally coordinated approach with peak body TrackSafe Foundation, an organisation comprised of members of rail organisations across Australasia.

The theme of Rail Safety Week 2013 was *'Train Yourself to Stop'*, entreating the public to have higher levels of awareness of the impact of complacency around trains. In Tasmania, we focused this message strongly towards the target vehicles that are regularly shown to disobey active level crossings: sedans, utes and light commercial vehicles, and their demographic of young males. The TasRail campaign picked up the national slogan, which was used on billboards, bus backs, taxi backs, in print and on radio advertising, and also developed an edgy campaign with the slogan *'X-ing STOP'*.

After TasRail won a national ARA award for safety innovation for our use of social media, Facebook and Twitter was intensely used in 2013, where a guerrilla campaign was undertaken using pop-up memorials. The communications team staged roadside memorials at the base of level crossings in some of TasRail's worst black spots, photographed them, and then released the images on Facebook and Twitter every day of the Rail Safety Week Program.

Rail Safety Week 2013 was launched at the Tasmanian Transport Museum. A puffing steam train was positioned behind police vehicles, and TasRail CEO Damien White, Minister for Infrastructure and Emergency Services the Hon David O'Byrne MP and Inspector Mark Beech-Jones from Tasmania Police spoke to the media about not only the impacts on the victims and their families, but the impacts on drivers, track inspectors and first responders in the aftermath of a level crossing collision. The simple message that will continue to be spread throughout the year: *X-ing STOP*.



ENDANGERED SPECIES

Preserving our Most Vulnerable Neighbours

As is often the case in Tasmania where there are widespread environmental assets co-located with business and industry, some of the rail corridor in North Western Tasmania shares space with the habitat of endangered Central North Burrowing Crayfish.

The Central North Burrowing Crayfish is found between the Mersey River and Port Sorell, although over the years its population has been severely reduced by land clearance for agriculture and urban development. TasRail's Concrete Sleeper Program meant working alongside crayfish and their burrows in the trackside drains. As part of the environmental management and approvals process, TasRail engaged specialist consultants ECOtas to advise on how to deliver the project with total harm minimisation to the neighbouring crustaceans.

The crayfish are known to have a strong symbiosis with the railway track, so much so that it is believed some of the colonies would not exist at all without the undisturbed rail corridor and related drainage characteristics to safely colonise.

Once the relevant approvals were in place to commence the works, TasRail – in conjunction with an ECOtas specialist to assist in crayfish handling – followed a special DPIPWE Standard Operating Procedure to temporarily move the crayfish.

A few hours later, the crayfish were returned to their burrows, or to replacement burrows in the same spot they had come from, ensuring that they experienced as little disruption to their environment as possible. TasRail has an ongoing commitment to ensuring that it operates in a manner that is sustainable and meets both environmental management standards and those of community in relation to flora and fauna stewardship.

FUTURE4RAIL



Future4Rail is TasRail's flagship Business Transformation Program, consisting of 37 change projects that touch every aspect and area of our business. This comprehensive and complex change management process is reshaping and rebuilding our business to create a sustainable operation. This is being achieved through unprecedented investment in substantial assets and infrastructure including new locomotives, wagons, a modern train control system and concrete sleepers coupled with the development of new business systems, organisational capability (structure, competencies and resources) and a value-based culture.

To ensure the business can successfully transition from the current state to the future state, TasRail recognises the need to accept and embrace the extensive changes taking place in the working/business environment, utilising and combining both sound Project Management and Change Management disciplines. (Project Management focuses on the tasks required to achieve project requirements and Change Management focuses on the people impacted by the change.)

Future4Rail harnesses, defines and coordinates all of the elements of change associated with our new assets and new systems so that they are aligned to the vision and strategy. These are to be implemented at a rate that can be absorbed by the business; achieve 'buy-in' at all levels of the organisation; and maintain stakeholder and shareholder support.

Future4Rail coordinates all of the elements of TasRail's change management activity to ensure that the business can successfully transition individuals, teams and the organisation from the current state to the desired future state; where all of the value and benefits from investment in Rail Recovery, new assets and new business systems are realised; and where change management activities can be identified and accounted for.

The strategic imperatives to establish a high performance organisation and new culture that is value based and customer focused underpinning *Future4Rail* are 'Renewing', 'Revitalising', 'Recognising' and 'eaRning'.

Future4Rail aims for all staff of TasRail to 'Get on Board' and be a part of shaping and creating a sustainable business.
TasRail – Our Future. Our Railway.

GOOD CORPORATE GOVERNANCE

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

The Company operates to a Corporate Governance System that is consistent with the eight principles of Good Corporate Governance, published by the ASX Corporate Governance Council.

<i>Corporate Governance Principle</i>	<i>Adopted by TasRail</i>
1 Lay solid foundations for management and oversight.	Yes
2 Structure the Board to add value.	Yes
3 Promote ethical and responsible decision making.	Yes
4 Safeguard integrity in financial reporting.	Yes
5 Make timely and balanced disclosures.	Yes
6 Respect the rights of Shareholders.	Yes
7 Recognise and manage risk.	Yes
8 Remunerate fairly and responsibly.	Yes

In addition to the above Corporate Governance Principles, TasRail complies with the Department of Treasury and Finance Governance Framework and Guidelines in relation to:

- Board appointments
- Director induction, education and training
- Assessing Board performance.

TasRail complies with its obligations pursuant to the following Key Governance Documents:

- *Corporations Act 2001*
- *Rail Company Act 2009*
- Shareholder Members' Letter of Expectations
- Treasurer's Instructions
- Guidelines for Tasmanian Government Businesses
- Tasmanian Railway Pty Limited Directors' Code of Conduct.

TasRail has two Shareholder Members:

- The Tasmanian Minister for Infrastructure, the Hon. David O'Byrne MP as the Portfolio Minister
- The Tasmanian Treasurer, the Hon. Lara Giddings MP.

The Company is managed by a Shareholder-appointed Board of five Directors that meets monthly. The Chairman and Directors are independent Non-Executive.



GLOSSARY

<i>Active Level Crossing</i>	A railway level crossing protected by warning bells and lights
<i>AIFR</i>	All Injury Frequency Rate
<i>ARTC</i>	Australian Rail Track Corporation. A National body established in 1997 by Commonwealth and State Governments
<i>Bulk Commodity</i>	Non-containerised bulk products including coal and minerals
<i>CEO</i>	Chief Executive Officer
<i>CFO</i>	Chief Financial Officer
<i>CO2</i>	Carbon dioxide
<i>CO2-e</i>	Carbon dioxide equivalent
<i>EA</i>	Enterprise Agreement
<i>EBIT</i>	Earnings Before Interest and Tax
<i>EBITDA</i>	Earnings Before Interest, Tax, Depreciation and Amortisation
<i>FEU</i>	Intermodal container that is 12.2 metres long (forty foot equivalent unit)
<i>FTE</i>	Full Time Equivalent
<i>GHG</i>	Greenhouse Gas
<i>Intermodal Containers</i>	Standardised re-usable steel box used for the movement of materials and products. 'Intermodal' implies that the container can be moved from one mode of transport to another without unloading and reloading. Lengths, heights and types of containers may vary but are generally 6.1 metres long and commonly referred to as TEU.

<i>Intermodal Train</i>	Wagons set-up with twist locks or pockets to haul a combination of TEU or FEU Intermodal containers
<i>LTI</i>	Lost Time Injury
<i>LTIFR</i>	Lost Time Injury Frequency Rate
<i>LGAT</i>	Local Government Authority of Tasmania
<i>MOU</i>	Memorandum of Understanding
<i>MTI</i>	Medical Treatment Injury
<i>Network</i>	Tasmania's rail system including all operational and non-operational railway lines, shunt yards, bulk storage and shiploading facilities and other infrastructure including level crossings, bridges and tunnels
<i>Passive Level Crossing</i>	A railway crossing protected by signs
<i>Rollingstock</i>	Locomotives and wagons
<i>SOC</i>	State-owned Company
<i>TEU</i>	Twenty foot Equivalent Unit
<i>Train Control</i>	Staffed 24/7 by highly skilled and experienced Train Controllers, Train Control is responsible for monitoring the network and ensuring Safe Working access for all authorised users across the entire rail network. It is staffed 24/7
<i>TSR</i>	Temporary Speed Restriction
<i>Zero Harm</i>	Aspirational goal to eliminate health, safety and environmental incidents and workplace injuries

FINANCIAL REPORT

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DIRECTORS' REPORT

The Directors present their report together with the financial report of Tasmanian Railway Pty Limited ("the Company") for the financial year ended 30 June 2013 and the independent auditor's report thereon.

1. Directors

The Directors of the Company for the year ended 30 June 2013 are:

Name and independence status	Special responsibilities and other directorships
<p>Mr Robert Annells Independent Non-Executive Chairman Appointed 23 November 2009 Re-Appointed 1 December 2012</p>	<p>Chairman – Governance and Remuneration Committee Member – Capital Projects Committee Chairman – VicTrack Chairman – Melbourne Convention Centre & Exhibition Trust Chairman – Forestry Tasmania</p>
<p>Mr David George Independent Non-Executive Director Appointed 26 May 2011 Re-Appointed 1 December 2012</p>	<p>Chairman – Safety and Performance Committee Member – Capital Projects Committee Member – Governance and Remuneration Committee CEO – Co-Operative Research Centre for Rail Innovation Deputy Chairman – International Rail Research Board Chairman – Organising Committee for the World Congress on Rail Research to be held in Sydney 2013 Director – Queensland Rail Ltd Member of the Queensland Rail Board</p>
<p>Mr Roger Gill Independent Non-Executive Director Appointed 4 November 2009 Re-Appointed 1 December 2012</p>	<p>Chairman – Capital Projects Committee Member – Strategy and Risk Management Committee Member – Governance and Remuneration Committee Director – Pacific Hydro Pty Ltd Director – Tasmanian Irrigation Pty Ltd Director – Hydro Focus Pty Ltd</p>
<p>Mrs Sarah Merridew Independent Non-Executive Director Appointed 17 December 2009 Re-Appointed 1 December 2012</p>	<p>Chairman – Finance, Audit and Compliance Committee Member – Safety and Performance Committee Member – Governance and Remuneration Committee Director – MyState Limited Director – Tasmanian Water and Sewerage Corporations</p>
<p>Mr Robert Neil Independent Non-Executive Director Deputy Chairman Appointed 4 November 2009 Re-Appointed 1 December 2012</p>	<p>Chairman – Strategy and Risk Management Committee Member – Finance, Audit and Compliance Committee Member – Safety and Performance Committee Member – Governance and Remuneration Committee Director – Neil Consulting Pty Ltd</p>

The number of Directors' Board and Board Committee Meetings and the number attended by each of the Directors of the Company for the year ended 30 June 2013 are:

Board Meetings

Director	Meetings Held	Meetings Attended
Robert Annells (Chair)	13	12
David George	13	13
Roger Gill	13	13
Sarah Merridew	13	13
Robert Neil (Deputy Chair)	13	12

Finance, Audit and Compliance Committee

Director	Meetings Held	Meetings Attended
Sarah Merridew (Chair)	6	6
Robert Neil	6	5

Capital Projects Committee

Director	Meetings Held	Meetings Attended
Robert Annells	6	4
David George	6	6
Roger Gill (Chair)	6	6

Safety and Performance Committee

Director	Meetings Held	Meetings Attended
David George (Chair)	8	8
Sarah Merridew	8	8
Robert Neil	8	6

Strategy and Risk Management Committee

Director	Meetings Held	Meetings Attended
Robert Neil (Chair)	4	4
Roger Gill	4	3

Governance and Remuneration Committee

Director	Meetings Held	Meetings Attended
Robert Annells (Chair)	2	2
David George	2	2
Roger Gill	2	2
Sarah Merridew	2	2
Robert Neil	2	2

Overseas travel by the Board and the Chief Executive Officer for the year ended 30 June 2013 was as follows:

	Total Number of Trips	Total Cost
Overseas travel by the Chairman, other Directors & Chief Executive Officer	5	\$53,148

Directors' Report continued

2. Principal activities

The Company is a vertically integrated Company that 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, Energy and Resources.

The principal activities of the Company during the course of the financial year were the provision of rail freight services 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 632km of operational track and 213km of non-operational track.

Above rail

This segment relates to the provision of rail freight services in Tasmania. In addition, the Company owns and operates the Burnie bulk storage and shiploader facility.

Operating result

The net loss after tax before comprehensive income for the year ended 30 June 2013 was \$50,294,000 after an impairment loss of \$45,233,000 (2012: net loss after tax before comprehensive income \$36,294,000 after an impairment loss of \$31,750,000). This has been calculated in accordance with Australian Accounting Standards (AASBs). The impairment loss relates to Australian Government funded capital expenditure on the Below Rail infrastructure as a result of underinvestment in track maintenance in prior years.

The infrastructure assets constructed are impaired as they do not generate any sufficient revenue to sustain the Below Rail segment of the Company without recurrent State Government maintenance funding. Under accounting standards and direction from the Tasmanian Treasurer, the Australian Government contributions to fund these infrastructure assets are required to be recognised directly to equity and not as revenue. This treatment of these contributions as equity is the predominant reason for the reported loss.

Segment results were made up of the following: Below Rail net loss before income tax of \$48,438,000 (2012: net loss of \$34,931,000) and Above Rail net loss before income tax of \$3,096,000 (2012: net loss of \$1,133,000). The Tasmanian State Government provides recurrent operating grant funding for the Below Rail business segment.

Further discussion of the Company's operating result and strategies are included elsewhere in the annual report.

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 during the financial year.

Under the terms of the Lease from the Minister for Infrastructure Energy and Resources 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 2013. If significant environmental liabilities relating to past operations are identified in future, the Company would require financial support from the Tasmanian Government to fund the remediation.

5. Dividends

No dividends were paid or declared by the Company to members during the financial year.

6. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual 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

A: The Company is continuing to invest and upgrade critical rail infrastructure to ensure a sustainable rail service in accordance with the corporate plan. There will be significant investment in replacing and upgrading the Company's rollingstock fleet to ensure enhanced reliability, efficiency and safety across the business. The Government is providing the capital funds required to upgrade the Company's rollingstock fleet via an asset transfer from the state-owned corporation Transend Networks Pty Ltd to the Company in the amount of \$20 million per annum for five years from 1 November 2011.

B: The Tasmanian State Government has appointed the Company as the operator of the Brighton Transport Hub and two, 50-year leases between the Crown and the Company have been agreed to give effect to this decision. The Company has signed a sub-lease with Toll Transport Pty Ltd to move its freight distribution centre from the current rail terminal at Evans Street in Hobart to the Brighton Transport Hub. There are clear operational benefits for the Company as a result of assuming the management responsibility for the Brighton Transport Hub, which are expected to be realised once the relocation of rail terminal services from Evans Street is completed.

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

Since 1 July 2012, the Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts, 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.

10. Auditor's independence declaration

The Auditor's independence declaration forms part of the Directors' report for the financial year ended 30 June 2013.

11. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 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.



Mr Robert Annells
Chairman

Dated at Launceston
this 6th day of August 2013.



5 August 2013

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 2013, 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; and
- b) any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) of the *Corporations Act 2001* a copy of this declaration must be included in the Directors' report.

Yours sincerely

E R De Santi
**Deputy Auditor-General
Delegate of the Auditor-General**

Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	2013 (\$'000)	2012 (\$'000)
Continuing operations			
Revenue from freight services		32,575	30,509
Grant income	4	16,288	18,775
Other income	4	1,974	3,031
Finance income	7	1,274	2,349
		52,111	54,664
Salary and wages expense		(25,037)	(23,492)
Maintenance and consumables expense		(9,454)	(13,404)
Depreciation expense	6	(5,676)	(5,063)
Impairment expense	6	(45,233)	(31,750)
Fuel expense		(6,219)	(5,446)
Administration expense		(5,465)	(5,665)
Other expenses		(6,561)	(5,908)
Loss from continuing operations		(51,534)	(36,064)
Taxation equivalent benefit (expense)	8	1,240	(230)
Loss for the year after tax before comprehensive income		(50,294)	(36,294)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Total items that will not be reclassified to profit or loss		–	–
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge reserve	19	4,132	(766)
Tax on items that may be reclassified subsequently to profit or loss	8	(1,240)	230
Total items that may be reclassified subsequently to profit or loss		2,892	(536)
Total comprehensive loss for the year		(47,402)	(36,830)

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

Statement of Financial Position

As at 30 June 2013

	Note	2013 (\$'000)	2012 (\$'000)
Assets			
Cash and cash equivalents	9	40,237	41,852
Trade and other receivables	10	4,773	4,503
Inventories	11	5,074	6,515
Other assets	12	3,177	95
Total Current Assets		53,261	52,965
Other assets	12	189	42
Property, plant and equipment	14	68,419	58,614
Total Non-current Assets		68,608	58,656
Total Assets		121,869	111,621
Liabilities			
Trade and other payables	15	6,787	6,266
Employee benefits	16	4,296	4,012
Other liabilities	17	–	212
Total Current Liabilities		11,083	10,490
Employee benefits	16	541	473
Other liabilities	17	–	691
Total Non-current Liabilities		541	1,164
Total Liabilities		11,624	11,654
Net Assets		110,245	99,967
Equity			
Share capital	18	232,354	174,674
Reserves	19	2,356	(536)
Accumulated losses		(124,465)	(74,171)
Total Equity		110,245	99,967

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

Statement of Changes in Equity

For the year ended 30 June 2013

	Note	Share Capital (\$'000)	Cash Flow Hedging Reserve (\$'000)	Accum- ulated Losses (\$'000)	Total Equity (\$'000)
At 1 July 2011		119,929	–	(37,877)	82,052
Equity contributed	18	54,745	–	–	54,745
Total comprehensive loss for the year	19	–	(536)	(36,294)	(36,830)
At 30 June 2012		174,674	(536)	(74,171)	99,967
At 1 July 2012		174,674	(536)	(74,171)	99,967
Equity contributed	18	57,680	–	–	57,680
Total comprehensive loss for the year	19	–	2,892	(50,294)	(47,402)
At 30 June 2013		232,354	2,356	(124,465)	110,245

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

Statement of Cash Flows

As at 30 June 2013

	Note	2013 (\$'000)	2012 (\$'000)
Cash flows from operating activities			
Receipts from customers		37,464	39,157
Grants received for operating activities		16,288	18,775
Payments to suppliers and employees		(53,685)	(57,277)
Cash generated from operations		67	655
Interest received		1,274	2,349
Net cash from/(used in) operating activities	23	1,341	3,004
Cash flows from investing activities			
Purchase of property, plant and equipment		(60,714)	(53,710)
Proceeds from sale of plant and equipment		78	46
Net cash from/(used in) investing activities		(60,636)	(53,664)
Cash flows from financing activities			
Proceeds from equity contributions	18	57,680	54,745
Net cash provided by financing activities		57,680	54,745
Net increase/(decrease) in cash and cash equivalents		(1,615)	4,085
Cash and cash equivalents at start of period		41,852	37,767
Cash and cash equivalents at 30 June	9	40,237	41,852

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

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Notes to the Financial Statements

For the year ended 30 June 2013

1. 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.

On 1 December 2009, the Company acquired the assets owned by Pacific National Tasmania, a subsidiary company of Asciano Ltd. In addition, the rail network and related assets owned by the Tasmanian State Government were transferred to the Company.

2. Basis of preparation

a) Statement of compliance

The financial statements are general purpose financial statements that 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 comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the Directors on 6th August 2013.

b) Basis of measurement

The financial report is prepared on the historical costs basis.

c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Company’s functional currency.

d) Rounding in financial statements

The Company is of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 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.

e) Use of estimates and judgements

The preparation of a financial report in conformity with AASB 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.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 3 (h) – impairment.

3. Significant accounting policies

(a) Revenues

Provision of revenue from freight services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Interest income

Interest income is recognised as it accrues and is measured by applying the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Sale of non-current assets

The net profit or loss on the sale of a non-current asset are included as revenue or an expense respectively. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Government grants

Government grants are assistance by the Tasmanian State Government in the form of transfers of resources to the Company to assist with the purchase, maintenance and construction of assets for the operation of the Tasmanian rail network.

Where the substantial purpose of a government grant is for asset renewal or upgrade, the Tasmanian State Treasurer has formally designated this funding to be classified as equity. Where this occurs, the funding is allocated directly to “Share Capital” and is reflected in the Statement of Changes in Equity.

Notes to the Financial Statements

For the year ended 30 June 2013

For other government grants, they 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 other income on a systematic basis 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.

(b) Income tax

The Company is subject to the National Tax Equivalent Regime under instructions from the Treasurer of the State of Tasmania, which is broadly based on the provisions of the *Income Tax Assessment Act 1997*.

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, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

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.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (h)). 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 \$1,000 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

(ii) Depreciation

Depreciation is calculated on the depreciable amount, which is the cost or deemed 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.

Notes to the Financial Statements

For the year ended 30 June 2013

3. Significant accounting policies (cont'd)

The estimated useful lives for each class of asset, for the current year is as follows:

Class of Asset	Useful Life
Buildings	9–40 years
Infrastructure	10–30 years
Rollingstock	3–12 years
Plant & Equipment	5–18 years
Motor Vehicles	1–15 years

The estimated useful life for each class of asset for the current period reflects the state and age of assets acquired on commencement of the Company. New asset replacement and additions will be depreciated over their full expected useful life.

(d) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(e) Employee entitlements

i) Short-term benefits

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

ii) Long-term 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.

iii) Defined contribution plans

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.

(f) Inventories

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 in the ordinary course of business less the estimated costs necessary to make the sale.

(g) 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 that are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Impairment

i) Financial assets (including receivables)

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.

Notes to the Financial Statements

For the year ended 30 June 2013

ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories (see accounting policy (f)) and deferred tax assets (see accounting policy (b)), 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. Impairment losses recognised in the profit and loss for the reporting period are accounted for one month in arrears once the carrying amount is verified subject to due diligence and final reporting verification procedures.

(i) Finance income and finance costs

Finance income comprises interest income on funds invested and is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(j) Segment reporting

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

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

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

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

(k) Financial instruments

i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

For the year ended 30 June 2013

3. Significant accounting policies (cont'd)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. The credit risk on these balances is limited because the counterparties are banks with high credit ratings. As such, management does not expect any counterparty to fail to meet its obligations.

Non-derivative financial liabilities

The Company's non-derivative financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has trade and other payables that are the only non-derivative financial liabilities. Such financial liabilities 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.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to capital and operational expenditure and foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 24 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that it used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Notes 8, 12, 17 and 24 sets out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedge

The Company does not have any fair value hedges.

Notes to the Financial Statements

For the year ended 30 June 2013

Cash flow hedge

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in 'other comprehensive income' and accumulated under the heading of 'cash flow hedge reserve'. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in 'other comprehensive income' and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit or loss statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously in other income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss in other income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(l) Business combinations

The Company applies the acquisition method for business combinations. For every business combination, the acquisition date is the date on which control is transferred to the Company. Control is the power to govern the financial and operating policies of an entity or group of assets so as to obtain benefits from their activities.

Measuring goodwill

The Company measures goodwill as the fair value of the consideration transferred, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners, and equity interests issued by the Company.

Transaction costs

Transaction costs that the Company incurs in connection with a business combination, such as legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(m) New accounting standards and interpretations not adopted

The following standards, amendments to standards and interpretations have been identified as those that may impact the Company in the period of initial application. They are available for early adoption at 30 June 2013, 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 on the next page.

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> AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards</i>	The standard affects financial assets and financial liabilities. The amendments arising from this standard are not expected to change the reported financial position or performance of the Company. Any changes to disclosure requirements are under review.	1 January 2015	30 June 2016
AASB 13 <i>Fair Value Measurement</i> and AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i>	Provides guidance on determining fair value and expands the disclosure requirements for all assets and liabilities carried at fair value. The impact on the disclosure requirements is under review.	1 January 2013	30 June 2014
Revised AASB 119 <i>Employee Benefits</i> , AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013).</i>	The revised standard includes criteria for accounting for “short-term employee benefits” including treatment of terminations. Employee benefits ‘expected to be settled’ (as opposed to ‘due to be settled’ under current standard) within 12 months after year end are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave and other short-term benefits not expected to be used within 12 months of end of reporting period will in future be discounted when calculating the leave liability. The Company has assessed the impact of this as a reduction in leave provisions of \$9,000.	1 January 2013	30 June 2014
AASB 2012-5 <i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)</i>	AASB 1 – this standard clarifies that an entity can apply AASB 1 more than once. AASB 101 – clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments. AASB 116 – clarifies the classification of servicing equipment. AASB 132 and Interpretation 2 – Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes. AASB 134 – provides clarification about segment reporting. The amendments arising from this standard are not expected to change the reported financial position or performance of the Company. Any changes to disclosure requirements are under review.	1 January 2013	30 June 2014

Notes to the Financial Statements

For the year ended 30 June 2013

3. Significant accounting policies (cont'd)

(n) Leased assets

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.

(o) Capital management

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. Capital consists of share capital and retained earnings of the Company. There were no changes in the Company's approach to capital management during the year.

(p) Comparative period

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

4. Other income

	2013 (\$'000)	2012 (\$'000)
Grant income – Tasmanian Government contribution to operating expenditure (i)	16,288	18,775
	16,288	18,775
Sundry	820	1,701
Property Rental	1,076	1,284
Net gain on sale of property, plant and equipment	78	46
	1,974	3,031

(i) All grants received are accounted for in accordance with the accounting policy in Note 3(a).

5. Auditors' remuneration

	2013 (\$'000)	2012 (\$'000)
Audit Services		
Auditors of the Company:		
Tasmanian Audit Office		
Audit the financial report	46,910	45,110
	46,910	45,110

6. Depreciation and impairment

	2013 (\$'000)	2012 (\$'000)
Depreciation and impairment expense for the year consists of:		
Depreciation of buildings, plant and equipment	5,676	5,063
Impairment of Infrastructure (Note 14)	45,233	31,750
	50,909	36,813

Notes to the Financial Statements

For the year ended 30 June 2013

7. Net finance income	2013 (\$'000)	2012 (\$'000)
Interest income	1,274	2,349
Finance income	1,274	2,349

8. Taxation equivalent benefit	2013 (\$'000)	2012 (\$'000)
Income tax expense attributable to continuing operations		
Current year expense/(benefit)	–	–
Adjustments for prior years	–	–
Deferred tax expense:		
Origination and reversal of temporary differences:		
Increase/(Decrease) in deferred tax liability	998	(1,330)
Decrease/(Increase) in deferred tax asset	(15,317)	(9,661)
Adjustments for prior years	118	(47)
Non-recognition of temporary differences and tax equivalent losses	15,441	10,808
Income tax (expense)/benefit attributable to profit/(loss) before other comprehensive income	1,240	(230)
Tax recognised in other comprehensive income		
Tax (expense) benefit relating to cash flow hedge reserve	(1,240)	230
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	(51,534)	(36,064)
Income tax using the domestic corporation tax rate of 30%	(15,460)	(10,819)
Increase in income tax expense due to:		
Non-deductible expenses	19	11
	(15,441)	(10,808)
Add prior year under/(over) provision	–	–
Non-recognition of temporary differences and tax equivalent losses	15,441	10,808
Total taxation equivalent expense/benefit	–	–

Notes to the Financial Statements

For the year ended 30 June 2013

9. Cash and cash equivalents	2013 (\$'000)	2012 (\$'000)
Bank balances	5,541	2,170
Call deposits	34,695	39,681
Petty cash on hand	1	1
Cash and cash equivalents in the statement of cash flows	40,237	41,852

10. Trade and other receivables	2013 (\$'000)	2012 (\$'000)
Current		
Trade receivables	3,888	3,323
Sundry receivables	238	238
Prepayments	277	264
GST receivable	370	678
	4,773	4,503

The average credit period on freight services is 42.5 days (2012: 39.3 days). No interest is charged on trade receivables. Trade receivables over 60 days will be provided for based on estimated irrecoverable amounts from the provision of services, determined by reference to past default experience.

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.

11. Inventories	2013 (\$'000)	2012 (\$'000)
Consumables stock – At cost	4,879	6,324
Fuel stock – At cost	195	191
	5,074	6,515

The cost of inventory expensed in the year was \$11,605,000 (2012: \$13,306,000)

12. Other assets	2013 (\$'000)	2012 (\$'000)
Current		
Derivative asset – cash flow hedges	3,177	95
Non-current		
Derivative asset – cash flow hedges	189	42

Notes to the Financial Statements

For the year ended 30 June 2013

13. Deferred tax assets and liabilities	2013 (\$'000)	2012 (\$'000)
Recognised deferred tax assets and liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Deferred tax assets		
Employee benefits	1,538	1,436
Trade and other payables	234	302
Property, plant and equipment	33,170	19,433
Carried forward tax losses – Revenue Losses	4,408	2,980
Carried forward tax losses – Capital Losses	518	518
Tax assets	39,868	24,669
De-recognised due to not being probable of recovery	(37,771)	(23,570)
Set-off against deferred tax liability	(2,097)	(1,099)
Net deferred tax asset	–	–
Deferred tax liabilities		
Inventory	1,018	966
Trade and other receivables	1,079	133
Tax liabilities	2,097	1,099
Set-off of tax	(2,097)	(1,099)
	–	–

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities

A deferred tax benefit will only be recognised where the company can demonstrate that it will derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised.

As disclosed above, the Company has significant income tax benefits that are not recognised in the financial statements as it is not probable that these benefits will be realised. To the extent to which a current or deferred tax liability arises in the current year, then this has been offset by the recognition of tax benefits of the same amount.

Notes to the Financial Statements

For the year ended 30 June 2013

14. Property, plant and equipment	2013 (\$'000)	2012 (\$'000)
Leasehold Improvements (Buildings) – At Cost	7,525	5,158
Accumulated depreciation	(1,902)	(1,285)
	5,623	3,873
Infrastructure – At Cost	117,296	72,064
Accumulated depreciation	(2,884)	(2,095)
Accumulated impairment losses	(107,373)	(62,141)
	7,039	7,828
Plant and Equipment – At Cost	2,903	2,258
Accumulated depreciation	(991)	(621)
	1,912	1,637
Rollingstock – At Cost	28,945	23,435
Accumulated depreciation	(12,158)	(9,125)
	16,787	14,310
Motor Vehicles – At Cost	4,296	4,328
Accumulated depreciation	(945)	(699)
	3,351	3,629
Capital Projects – Work in Progress	33,707	27,337
	33,707	27,337
Total property, plant and equipment net book value	68,419	58,614

The Company is continuing an asset replacement program including new locomotives and wagons. As at 30 June 2013 this program was incomplete and costs to date have been recorded in the balance of Capital Projects – Work in Progress.

The Company considered certain infrastructure assets relating to the Below Rail segment of the Company, funded by the Australian Government, to be impaired. Impairment losses of \$45,233,000 (2012: \$31,750,000) were recognised. These impairment losses are recognised in accordance with the accounting policy detailed in Note 3(h). The impairment losses noted above relate to assets first recognised in 2013 or 2012 respectively.

Under accounting standards and direction from the Tasmanian Treasurer the Australian Government contributions are required to be recognised directly to equity and not to revenue. Therefore these contributions do not offset impairment losses recognised in the net loss after income tax in the statement of comprehensive income.

The Company is the 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 Infrastructure, Energy & Resources.

Notes to the Financial Statements

For the year ended 30 June 2013

14. Properly, plant and equipment (cont'd)	2013 (\$'000)	2012 (\$'000)
Reconciliations		
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:		
Leasehold Improvements (Buildings) – At Cost		
Carrying amount at the beginning of the period	3,873	2,773
Additions	2,367	1,549
Depreciation	(617)	(449)
Carrying amount at the end of the period	5,623	3,873
Infrastructure – At Cost		
Carrying amount at the beginning of the period	7,828	8,644
Additions	45,233	31,736
Depreciation	(789)	(802)
Impairment Loss	(45,233)	(31,750)
Carrying amount at the end of the period	7,039	7,828
Plant and Equipment – At Cost		
Carrying amount at the beginning of the period	1,637	1,082
Additions	645	660
Reclassification/adjustments of assets	–	224
Depreciation	(370)	(329)
Carrying amount at the end of the period	1,912	1,637
Rollingstock – At Cost		
Carrying amount at the beginning of the period	14,310	12,088
Additions	6,099	5,440
Disposals	–	–
Reclassification/adjustments of assets	–	27
Depreciation	(3,622)	(3,245)
Carrying amount at the end of the period	16,787	14,310

Notes to the Financial Statements

For the year ended 30 June 2013

14. Property, plant and equipment (cont'd)	2013 (\$'000)	2012 (\$'000)
Reconciliations		
Motor Vehicles – At Cost		
Carrying amount at the beginning of the period	3,629	307
Additions	–	3,790
Reclassification/adjustments of assets	–	(230)
Depreciation	(278)	(238)
Carrying amount at the end of the period	3,351	3,629
Capital Projects – Work in Progress		
Carrying amount at the beginning of the period	27,337	16,823
Additions	60,714	53,689
Transfers out	(54,344)	(43,175)
Carrying amount at the end of the period	33,707	27,337
Total Property, Plant and Equipment net book value	68,419	58,614

15. Trade and other payables	2013 (\$'000)	2012 (\$'000)
Trade payables	4,544	2,556
Other trade payables	1,297	1,222
Accrued expenses	946	2,488
	6,787	6,266

The average credit period on purchase of goods and services is 17.0 days (2012: 11.3 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 currency and liquidity risk related to trade and other payables is disclosed in note 24.

16. Employee benefits	2013 (\$'000)	2012 (\$'000)
Current		
Liability for annual leave	2,569	2,121
Liability for long-service leave	1,727	1,891
	4,296	4,012
Non-current		
Liability for annual leave	–	–
Liability for long-service leave	541	473
	541	473

Notes to the Financial Statements

For the year ended 30 June 2013

17. Other liabilities	2013 (\$'000)	2012 (\$'000)
Current		
Derivative liability – cash flow hedges	–	212
Non-current		
Derivative liability – cash flow hedges	–	691

18. Share capital	2013 (\$'000)	2012 (\$'000)
Opening Balance – fully paid ordinary shares	174,674	119,929
Equity contributed during the year (i)	57,680	54,745
Closing Balance – fully paid ordinary shares	232,354	174,674

(i) This is grant funding provided to the Company that has been formally designated as equity in accordance with the accounting policy in Note 3(a) and comprises of:

1. Tasmanian State Government funds for capital works programmes and operational expenditure of \$20,000,000 (2012: \$33,486,000)

2. Australian Government funds for capital works programmes of \$37,680,000 (2012: \$21,259,000)

19. Reserves	2013 (\$'000)	2012 (\$'000)
Cash flow hedge reserve		
Opening Balance	(536)	0
Effective portion of changes in fair value of cash flow hedge	4,132	(766)
Tax effect arising on market valuation (i)	(1,240)	230
Closing Balance	2,356	(536)

The Company holds 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.

Notes to the Financial Statements

For the year ended 30 June 2013

20. Operating segments

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different services and are managed separately. For each of the strategic business units, the Company's Chief Executive Officer (CEO) reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Company's 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.

Information regarding the results of each reportable segment is included below:

Year ended 30 June 2013

Segment	Above Rail (\$'000)	Below Rail (\$'000)	Total (\$'000)
External revenues	34,506	16,331	50,837
Inter-segment revenue	–	2,598	2,598
Interest revenue	650	624	1,274
Interest expense	–	–	–
Impairment	–	(45,233)	(45,233)
Depreciation and amortisation	(3,836)	(1,840)	(5,676)
Reportable segment profit / (loss) before income tax	(3,096)	(48,438)	(51,534)
Reportable segment assets	59,863	21,769	81,632
Add: cash and cash equivalents not allocable to segments			40,237
Total assets			121,869
Capital expenditure	17,952	42,762	60,714

Notes to the Financial Statements

For the year ended 30 June 2013

20. Operating segments (cont'd)

Year ended 30 June 2012

Segment	Above Rail (\$'000)	Below Rail (\$'000)	Total (\$'000)
External revenues	33,372	18,943	52,315
Inter-segment revenue	–	2,439	2,439
Interest revenue	1,198	1,151	2,349
Interest expense	–	–	–
Impairment	–	(31,750)	(31,750)
Depreciation and amortisation	(3,398)	(1,665)	(5,063)
Reportable segment profit / (loss) before income tax	(1,133)	(34,931)	(36,064)
Reportable segment assets	43,510	26,259	69,769
Add: cash and cash equivalents not allocable to segments			41,852
Total assets			111,621
Capital expenditure	19,642	34,047	53,689

Major customers	2013 (\$'000)	2012 (\$'000)
Revenues from three parties represent approximately 53.9% (2012: 55.0%) of total revenues as follows:		
- Party 1 (State Government – grant revenue – Below Rail)	16,288	18,775
- Party 2 (freight services – Above Rail)	6,128	6,030
- Party 3 (freight services – Above Rail)	6,080	5,277

Economic dependency

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

21. Dividends

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

Notes to the Financial Statements

For the year ended 30 June 2013

22. Commitment for expenditure	2013 (\$'000)	2012 (\$'000)
Capital expenditure commitments		
Above Rail	69,332	57,261
Below Rail	25,904	41,294
	95,236	98,555
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	941	964
Between one and five years	1,521	2,055
	2,462	3,019

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 \$1,147,000 (2012: \$820,000) was recognised as an expense in respect of operating leases.

23. Reconciliation of cash flows from operating activities	2013 (\$'000)	2012 (\$'000)
Cash flows from operating activities		
Loss for the period	(50,294)	(36,294)
<i>Adjustments for:</i>		
Depreciation	5,676	5,063
Impairment	45,233	31,750
Tax (expense)/benefit relating to cash flow hedge reserve	(1,240)	230
Gain on disposal of property, plant and equipment	(78)	(46)
Operating profit before changes in working capital and provisions	(703)	703
– Increase/(Decrease) in payables	521	(2,972)
– Increase/(Decrease) in employee benefits	352	258
– Increase/(Decrease) in current tax asset	0	0.00
– (Increase)/Decrease in net deferred tax asset	0	0.00
– (Increase)/Decrease in receivables	(270)	1,848
– (Increase)/Decrease in inventories	1,441	3,167
Net cash flows from operating activities	1,341	3,004

Notes to the Financial Statements

For the year ended 30 June 2013

24. Financial instruments

Overview

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, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument 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. The Company's maximum exposure at the reporting date was:

	2013 (\$'000)	2012 (\$'000)
Cash and cash equivalents (Note 9)	40,237	41,852
Trade and other receivables (Note 10)	4,773	4,503
Derivative assets – cash flow hedges (Note 12)	3,366	137
	48,376	46,492

The geographic exposure to credit risk is limited to Australia. More than 85 per cent of the Company's customers have been transacting with the Company, or previous operators of the rail network, for more than four years, and losses have occurred infrequently. Customers that are "high risk" are placed on a restricted customer list, and future services are made on a prepayment basis with approval of the Chief Executive Officer.

	2013 (\$'000)	2012 (\$'000)
The ageing of trade receivables at the reporting date was:		
Not past due	2,944	2,654
Past due 0–34 days	879	623
Past due 34–65 days	11	1
Past due more than 65 days	54	45
Total	3,888	3,323

There is no allowance for impairment in respect of trade receivables during or at the end of the year.

Notes to the Financial Statements

For the year ended 30 June 2013

24. Financial instruments (cont'd)

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 to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the carrying amounts and contractual cash flows of financial liabilities:

	2013 (\$'000)	2012 (\$'000)
Non-derivative financial liabilities		
Trade and other payables – payable in 6 months or less	6,787	6,266
Derivative financial liabilities		
Forward exchange contracts in designated hedge accounting relationship		
- payable within 1 year	–	212
- payable between 1 year and 2 years	–	613
- payable between 2 year and 3 years	–	78
	–	903

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

Currency risk

The Company is exposed to currency risk via capital expenditures that are denominated in a currency other than the Australian Dollar (AUD). The currencies in which these transactions are primarily denominated are the United States Dollar (USD) and New Zealand Dollar (NZD). The Company uses forward exchange contracts to hedge its currency risk.

Notes to the Financial Statements

For the year ended 30 June 2013

24. Financial instruments (cont'd)

Exposure to currency risk

The Company's exposure to currency risk is summarised below:

	2013 USD (\$'000)	2013 NZD (\$'000)
Trade payables	–	–
Forward exchange contracts payable (receivable)	(3,183)	(183)
Net exposure	(3,183)	(183)

	2012 USD (\$'000)	2012 NZD (\$'000)
Trade payables	–	–
Forward exchange contracts payable (receivable)	902	(137)
Net exposure	902	(137)

The following significant exchange rates applied during the year:

	2013 Average	2013 Reporting date spot rate
AUD : USD	1.0268	0.9265
AUD : NZD	1.2487	1.1859

	2013 Average	2013 Reporting date spot rate
AUD : USD	1.0332	1.0075
AUD : NZD	1.2827	1.2757

Sensitivity analysis

A strengthening (weakening) of the AUD, as indicated below, against the USD and NZD at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted purchases.

	Strengthening - impact on profit or loss, and equity	Weakening - impact on profit or loss, and equity
30 June 2013		
USD (10% movement)	(289)	354
NZD (10% movement)	(16)	20
30 June 2012		
USD (10% movement)	82	(100)
NZD (10% movement)	(12)	15

Notes to the Financial Statements

For the year ended 30 June 2013

24. Financial instruments (cont'd)

Interest rate risk

The Company has no interest-bearing financial liabilities at the reporting date. The Company holds cash and cash equivalents in a series of at call accounts with variable interest rates.

A change in 100 basis points in interest rates would have increased or decreased the Company's profit and loss by \$384,000 (2012: \$489,000). There is no impact in the Company's equity.

Fair values versus carrying amounts

The carrying values and fair values are the same for all of the Company's financial assets and financial liabilities.

Corporate charge facility

During the year, the Company established a \$200,000 corporate charge card facility. As at 30 June 2013 an amount of \$166,000 was unused.

25. Contingencies

Under the terms of the Lease from the Minister for Infrastructure Energy and Resources 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 environmental liabilities identified at balance date that would have a material effect on the Company's Financial Report at 30 June 2013. If significant environmental liabilities relating to past operations are identified in future, the Company would require financial support from the Tasmanian Government to fund the remediation.

26. Subsequent events

There have been no events subsequent to balance date that would have a material effect on the Company's financial report at 30 June 2013.

27. Related party transactions

Remuneration report

Remuneration is referred to as compensation throughout this report.

Compensation levels for key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced senior executives. The Governance and Remuneration committee obtains independent advice on the appropriateness of compensation packages of the Company given trends in comparative companies both locally and interstate and the objectives of the Company's compensation policy.

The compensation structures take into account:

- the capability and experience of key management personnel.
- the key management personnel's ability to control the relevant segment/s' performance.
- achievement of the Company's strategic initiatives.

In addition to their salaries, the Company also provides non-cash benefits to its key management personnel, and contributes to a post-employment defined contribution superannuation plan on their behalf.

Notes to the Financial Statements

For the year ended 30 June 2013

27. Related party transactions (cont'd)

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits, including motor vehicles), as well as leave entitlements and employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Governance and Remuneration Committee through a process that considers individual, segment and overall performance of the Company. A senior executive's compensation is also reviewed on promotion.

Performance linked compensation

Performance linked compensation includes a short-term incentive that is designed to reward senior executives for meeting or exceeding their financial and other objectives.

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.

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.

Service contracts

The Company's service contracts for senior executives are a combination of fixed and open employment periods, but capable of termination with notice not exceeding six months. Senior executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of compensation but does not prescribe how compensation levels are modified year to year. The remuneration committee reviews compensation levels each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Ultimate owner

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

Notes to the Financial Statements

For the year ended 30 June 2013

27. Related party transactions (cont'd)

Directors' compensation

The following tables disclose the compensation details in bands for each person that acted as a Non-Executive Director during the current and previous two financial years:

Band	Number of Directors 2013	Directors' fees \$	Committee fees \$	Super-annuation* \$	Other fees \$	Total 2013 \$	Total 2012 \$
Less than \$40,000	–	–	–	–	–	–	–
\$40,000 to \$80,000	4	124,492	36,824	25,410	–	186,726	183,068
Greater than \$80,000	1	107,409	–	9,667	–	117,076	178,716

Band	Number of Directors 2012	Directors' fees \$	Committee fees \$	Super-annuation* \$	Other fees \$	Total 2012 \$	Total 2011 \$
Less than \$40,000	–	–	–	–	–	–	26,550
\$40,001 to \$80,000	4	98,079	27,078	57,911	–	183,068	135,453
Greater than \$80,000	1	163,768	–	14,948	–	178,716	258,503

* Superannuation represents employer contributions including amounts salary sacrificed.

Mr David George is CEO of the Rail CRC Limited. Rail CRC Limited was paid \$30,000 (2012: \$30,000) for participation contribution fees. The amount billed was based on normal market rates for such services and payable under normal payment terms.

Mr Robert Annells is Chairman of Forestry Tasmania whose ultimate owner is also The Crown in Right of Tasmania. During the year the Company was engaged by Forestry Tasmania to undertake rail freight services on commercial terms and conditions. Mr Annells excluded himself from any discussions or decisions made by the Company with respect to these services. The revenue from Forestry Tasmania for the year was \$275,000 (2012: \$nil).

The Company from time to time requires access to the rail infrastructure assets via properties adjacent to the railway line with agreement from landowners. During the year, the Company entered into agreements with an entity related to Mr Robert Annells to provide for access to the railway line and for storage of materials associated with the current capital works program. Mr Annells excluded himself from any discussions or decisions made by the Company with respect to these agreements. As part of these agreements, the Company agreed to compensate the related entity on normal commercial terms and conditions for access rights and certain minor costs to be incurred.

Notes to the Financial Statements

For the year ended 30 June 2013

27. Related party transactions (cont'd)

Key management personnel

The following table discloses the compensation paid for key management personnel during the current and previous two financial years:

Number of employees	Base Salaries »	Short-term incentive payments §	Termination benefits †	Super-annuation*	vehicles	Other benefits
2013	\$	\$	\$	\$	\$	\$
10	1,573,123	163,759	23,144	200,257	156,878	–

Aggregate remuneration	2013	2012	2011
	\$	\$	\$
	2,117,161	1,664,468	1,246,129

* Superannuation represents employer contributions, including amounts salary sacrificed.

» Movements in leave accruals are not included in the table above.

§ Short-term incentive payments are those that are dependent on achieving specified performance goals within specified timeframes.

† Termination benefits represent annual and long service leave paid on termination.

In accordance with Accounting Standard AASB 124 Related Party Disclosures, the Company notes that Short-Term Employee Benefits were \$2,162,485 (2012 \$1,669,280), Other Long-Term Employee Benefits being the movement in accrued long service leave were \$34,351 (2012 \$58,086), Post Employment Benefits were \$235,334 (2012 \$252,872) and Termination Benefits were \$23,144 (2012 \$104,100).

DIRECTORS' DECLARATION

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 2013 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 note 2(a);
- (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 20, which includes a statement regarding the Company's dependence on government contributions;
- (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 2013.

Signed in accordance with a resolution of the Directors:



Mr Robert Annells
Chairman

Dated at Launceston
this 6th day of August 2013.



Tasmanian Audit Office

Independent Auditor's Report

To the Members of Tasmanian Railway Pty Ltd

Financial Report for the Year Ended 30 June 2013

Report on the Financial Report

I have audited the accompanying financial report of Tasmanian Railway Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2013 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Auditor's Opinion

In my opinion:

- (a) the Company's financial report is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 30 June 2013 and its financial performance for the year ended on that date
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

The Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

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

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors dated 5 August 2013 and included in the Directors' Report, would be unchanged if provided to the directors as at the date of this auditor's report.

Tasmanian Audit Office



E R De Santi

Deputy Auditor-General

Delegate of the Auditor-General

HOBART

19 August 2013

...2 of 2





www.tasrail.com.au

Tasmanian Railway Pty Limited

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