



ANNUAL REPORT
2013-2014

 **TASRAIL**
Our future on track



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Tasmanian Railway Pty Limited

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MISSION

To be a world class, vertically integrated, short haul freight railway.

Achieving this ambitious goal requires TasRail to continuously challenge traditional thinking and to relentlessly pursue value adding activities with customers and within the context of its business plan. Simultaneously, TasRail aspires to achieve operational excellence across all aspects of the business, particularly safety, service quality and operational efficiency.



ABOUT TASRAIL

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

Tasmanian Railway Pty Ltd (TasRail) is a State-Owned Company established on 1 December 2009 by an Act of the Tasmanian Parliament.

The principal objectives of the business are set out in the *Rail Company Act 2009* and require the Company to:

- Operate a rail business in Tasmania, effectively and efficiently;
- Operate its activities in accordance with sound commercial practice; and
- Maximise sustainable returns to its Shareholder Members.

As a vertically integrated, short haul, freight rail business, TasRail 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 Emu Bay Railway.

Administration of rail funding from the Australian Government transferred to TasRail late in 2009 from the Rail Management Branch within the then Department of Infrastructure, Energy and Resources.

This completed the amalgamation of the whole operating rail network within Tasmania, along with responsibility for the upgrading of the Below Rail and Above Rail elements of the business.

ABOVE RAIL

The Above Rail business operates terminals, bulk handling and shiploading facilities and all train services in response to customer requirements. It is also responsible for maintaining and operating the rollingstock fleet and for the safe operation and authorised access of the network.

- 1 Shiploader
- 120 Intermodal wagons
- 54 Ore wagons
- 18 Coal wagons
- 17 Cement wagons
- 19 Log wagons
- 17 TR locomotives

Some of the older rollingstock fleet is being retained for completion of commissioning, terminal operations and to support new business opportunities.

BELOW RAIL

Below Rail operations are responsible for maintaining and upgrading the railway network and supporting infrastructure including signals and communications. 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 standard.

- 611 Route kilometres of operational track
- 232 Route kilometres of non-operational track
- 1.3 Million sleepers
- 106 Active level crossings
- 143 Passive level crossings
- 250+ Private level crossings and stock crossings
- 355 Bridges
- 3 Tunnels

THE TASMANIAN RAIL NETWORK

The Tasmanian Rail Network is a single rail line, narrow gauge (1067 millimetre) transport system and consists of a total of 611 route kilometres of operational lines and a further 232 kilometres of non-operational lines. It extends from Brighton 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.



<p>South Line</p> <p>Approximately 175 kilometres running from the Transport Hub at Brighton to Western Junction.</p>	<p>Bell Bay Line</p> <p>Approximately 57 kilometres running from the East Tamar Junction to the Port of Bell Bay.</p>
<p>Derwent Valley Line</p> <p>Approximately 71 kilometres running from the Bridgewater Junction to the Florentine Rail Yard west of Maydena.</p> <p>The section of line between Boyer and Maydena is currently non-operational.</p>	<p>Fingal Line</p> <p>Approximately 55 kilometres running from Conara Junction to Fingal.</p>
<p>Western Line</p> <p>Approximately 176 kilometres commencing at the East Tamar Junction and running to Burnie via Western Junction.</p> <p>The section of the line that runs between Burnie and Wiltshire is currently non-operational.</p>	<p>Hobart Line</p> <p>Approximately 21 kilometres between Hobart and the Bridgewater Junction. This line is currently non-operational.</p>
<p>Melba Line</p> <p>Approximately 130 kilometres running from the Port of Burnie to Melba Flats.</p>	<p>North East Line</p> <p>Approximately 73 kilometres running from Coldwater Creek Junction to Tonganah. This line is currently non-operational.</p>
<p>▲ Rail Loading Points ⚓ Ports - - - Non-operational Line</p>	



August



August



September



September



October



November



November

MILESTONES

July

- Major customer Toll turns the first sod for its \$20 million development at TasRail's Brighton Transport Hub.
- Tie-in works for the new Leven River Rail Bridge are successfully completed.
- Local Engineering Company Elphinstone (Triabunna) is awarded Australian Government funding to design and construct 40 TasRailer Units to support timber haulage on conventional rail wagons.
- TasRail trials the operation of a CCTV camera at the Granton Level Crossing.
- Annual State of the Business employee briefings held in Hobart, Burnie and Launceston.

August

- Severe weather causes flooding, landslips and washouts across the network.
- TasRail launches its Code of Conduct 'The TasRail Way'.
- Geomatic Technology completes the quarterly assessment of the operational network by measuring track geometry, top alignment, twist, gauge and superelevation.
- TasRail engages a recognised expert in derailments to assist with the further development of its derailment prevention strategy.
- Development Application submitted for the Burnie Port Optimisation Project.

September

- TasRail completes a record loading volume for a single vessel. A total of 44,238 wet metric tonnes of magnetite was directly loaded for Tasmania Mines at the Port of Burnie.
- Remediation works to improve the habitat of Little Penguins in the Central Coast Municipality was completed, including the removal of noxious weeds and trees and the installation of 37 bespoke penguin burrows.
- TasRail agrees contractual terms with Venture Minerals for haulage from the Riley Creek Mine and shiploading services at the Port of Burnie.
- New prototype wagons arrive at the Port of Bell Bay ahead of a 28-day in service trial.

2013

October

- TasRail commences the ALCAM Project that will see Risk Assessments of level crossings progressively completed across the network.
- TasRail is awarded a Certificate of Participation at the Annual Work Safe Tasmania Awards in recognition of its work to design, develop and implement a lifting cradle for the safe movement of concrete penguin burrows. The burrows were constructed by Studentworks.
- Completion of Stage 3 of the Burnie Bulk Handling facility upgrade.
- TasRail successfully trials an iPad based electronic communication system (TRECS) for locomotive drivers.

November

- TasRail briefs a gathering of Northern Tasmanian Business and Community Leaders about its journey to rebuild the State's freight rail business. A similar briefing was also held with the Tasmanian Chamber of Commerce and Industry in Hobart.
- The first two new TR locomotives arrive in Tasmania, along with the new Tamper and Ballast Regulator.
- TasRail launches its Operational Excellence program with the establishment of visual performance display boards and a daily operational performance review forum.
- TasRail Train Driver and Safety Representatives attend the trackSAFE Foundation's Trauma Management Training, based on the newly developed Rail Industry Trauma Management Framework.
- Completion of a new pedestrian level crossing at Queens Walk, Hobart providing a safe and direct link from the intercity cycleway at Cornelian Bay.

December

- West Coast customer Copper Mines Tasmania suspends mining operations at its Mount Lyell Mine.
- TasRail launches its Employee Safety Culture Survey. This rail focussed survey was developed by the CRC for Rail Innovation in conjunction with the University of Central Queensland.

2014

January

- Locomotive Driver Briony Bansemer becomes TasRail's first female to complete a solo train journey at the helm, following 16 months of intensive training.
- Stage One of the Concrete Sleeper Project is completed, with the successful installation of 56,831 concrete sleepers across priority areas of the South Line.
- The first of the new TR locomotives are put through their paces as part of the commissioning process (design acceptance).

February

- An estimated 3,500 people take advantage of the 'Tour de Tassie' Roadshow to inspect one of the new TR locomotives on display at Burnie, Western Junction and Hobart.
- The new Tamper is commissioned.

March

- Successful tie-in of the new Forth River Rail Bridge on the North West Coast.
- Operation of the new Train Control System Simulator starts with the initial testing phase and staff training.
- TasRail representatives attend the Australasian Railway Association (ARA) Level Crossing Forum to discuss the formulation of National Strategies to improve level crossing safety.

April

- TasRail's Chairman and CEO host a formal handover ceremony for representatives of CNR to mark the completion of the wagon replacement project.

MILESTONES

May

- TasRail hosts the ARA National Conference in Hobart, focussed on the challenges facing short haul freight rail in Australia.
- The Australian Government announces \$120 million of funding over five years in the May Federal Budget for further track upgrades.
- TasRail's Frontline Leadership Development program commences.
- Fair Work Australia approves TasRail's new General Enterprise Agreement.
- Plans for the restructure of the Asset Management Department are finalised in consultation with staff.
- TasRail engages an experienced national consultant to risk assess potential solutions in response to community concern about train horn noise.

June

- TasRail relocates its Hobart Terminal operations to its Transport Hub at Brighton.
- Big crowds turn out to farewell the Last Train out of Hobart.
- Shree Minerals suspend mining operations.
- Field testing of the new Train Control System commences.
- A total of 14 new TR locomotives and the entire new wagon fleet are in service.
- TasRail reports a better than planned year-end financial result.



January



January



February



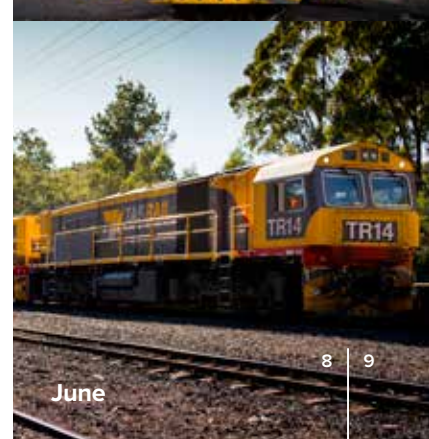
March



April



June



June

Our ref: TR-011014

Hon. Rene Hidding MP
Minister for Infrastructure
Member, Tasmanian Railway Pty Limited
Executive Building
15 Murray Street
HOBART TAS 7000

Hon. Peter Gutwein MP
Treasurer
Member, Tasmanian Railway Pty Limited
Executive Building
15 Murray Street
HOBART TAS 7000

Dear Shareholder Ministers

ANNUAL REPORT 2013–2014

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*, I hereby submit for your information and presentation to Parliament, the report of Tasmanian Railway Pty Limited covering the period 1 July 2013 to 30 June 2014.

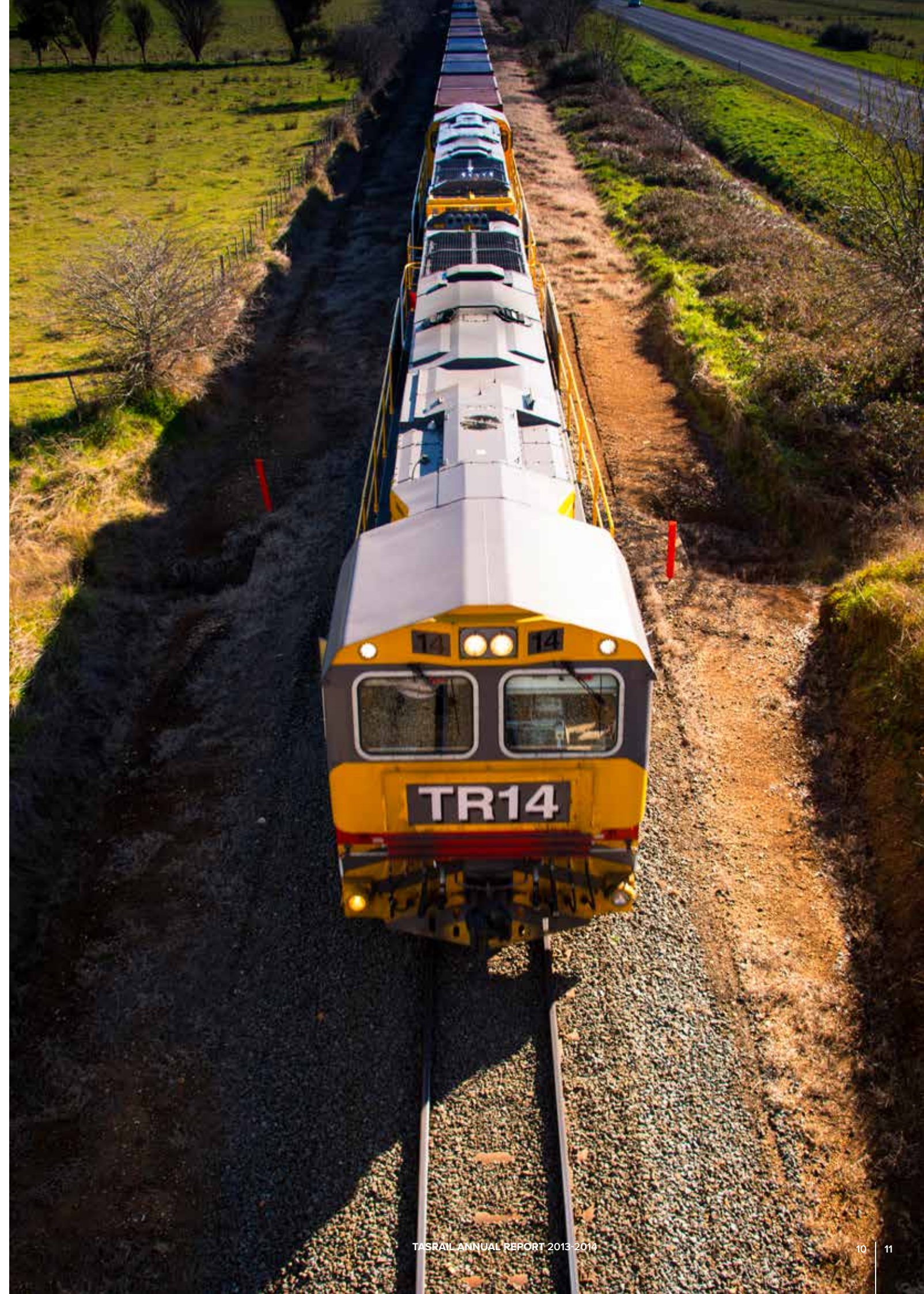
Signed in accordance with a resolution of Directors.

Yours sincerely,



Bob Annells
Chairman

13 October 2014



REPORT FROM THE CHAIRMAN

TasRail ended the financial year well poised to launch a new era in Tasmania's rail freight operations.



TasRail's EBITDA result for the 2013/14 represents a \$1.07 million improvement compared to the previous year. The better than plan result is attributed to a combination of increased revenue and a focus on cost control initiatives. This is a significant achievement, particularly given flat market conditions and the suspension of mining activities by two of TasRail's major customers during the reporting period.

All of TasRail's 37 business critical capital projects are either complete or are progressing well and have broadly been delivered on time and within budget. The Board and Management Team are acutely aware that TasRail must now leverage the new assets for maximum efficiencies and for the broader economic benefit of the State, and with the majority of the rail rebuilding work now complete, TasRail is fully focussed on the dual objectives of operational excellence and the revitalisation of freight rail.

A very significant milestone was the arrival of TasRail's new rollingstock. Once final commissioning is complete, the State's rail freight business will, for the first time ever, operate with a fully compatible locomotive and wagon fleet that has been specifically designed for the Tasmanian Rail Network. This

means that the business can operate with greater confidence over the long-term, at lower cost and with substantially improved efficiencies.

The purchase of the new locomotives represents TasRail's single largest, capital project. The order was placed at an opportune time when foreign exchange rates were favourable and a buyer's market enabled TasRail to gain the attention of eager suppliers worldwide. TasRail was able to assemble a fantastic small project team of people with ideal experience and they professionally managed all phases of the project from the design and build process through to commissioning. The same team also successfully managed the design, mass production and commissioning of the new wagon fleet which was completed in record time.

Some members of the project team have now switched roles and assumed responsibility for maintaining the new assets. Others have moved on from TasRail to pursue other challenges. On behalf of the Board I'd like to congratulate and thank all of the team and to acknowledge their tremendous efforts to ensure the successful delivery of what is a complex project of significance.

In another watershed for TasRail, the relocation of all southern rail terminal operations from Macquarie Point to the Brighton Transport Hub was completed in June 2014. The move was timed to coincide with the completion of Toll's \$20 million investment in new facilities at the Hub that have incorporated the very best features of its Australia-wide operations. Toll's new facility is a great asset to the logistics industry and a sign of confidence in the future of freight rail in Tasmania. TasRail is now intent on making the intermodal terminal work as efficiently as possible and is actively encouraging other businesses to establish at the Hub or to transact via TasRail's hardstand areas. The Hub is now providing the ideal platform for TasRail to launch its emerging freight terminal capability. It is a catalyst for a wider offering of efficient, modern terminal services at other rail locations including Burnie and Bell Bay.

Investment in the Rail Recovery Plan by the Australian and Tasmanian Governments has enabled considerable sections of the priority track and associated infrastructure to be addressed. When complete, this investment will ensure a fit-for-purpose freight rail network and secure the availability of safe and reliable freight rail services for Tasmanian business and industry, considered essential for some of the State's most iconic industries that depend on rail to move their product to market.

The Board is very cognisant that much of this investment has occurred during challenging economic times, but the investment to rebuild

Tasmania's rail freight business has ensured the utilisation of strategic rail infrastructure to facilitate economic activity and future development. It has also generated economic, social and environmental benefits through TasRail's operations, employment and capital investment activity. The alternative would have seen Tasmania with impotent rail assets, significantly more trucks on the roads, increased road degradation and an uncertain future for a number of major employers.

While the safety and reliability of the track is now vastly improved compared to its condition at the time of TasRail's establishment, there still remains a lot to be done to remove the ongoing need for speed restrictions that are still present on most routes. The Board is therefore appreciative that the Australian Government announced in its 2014 May Budget, the allocation of \$120 million over five years for further track and related infrastructure upgrades. This new funding, combined with the annual Below Rail infrastructure maintenance contribution from the Tasmanian Government, ensures the track will continue to be improved and maintained to an appropriate standard into the future.

Much effort continues to be directed towards the identification and capture of new business opportunities, at the same time as improving the value proposition that rail offers to existing customers. The Board has ensured that TasRail's service offerings are commercial and innovative, and that its capability to haul heavy baseload cargos sets it apart from its competitors.

A great example is the very good work by TasRail to develop a 'pit to port' solution for Venture Minerals. TasRail had been poised to commence a very substantial number of new bulk haul, handling and shiploading services for the Riley Mine that exemplify the value of rail. It is very disappointing that this opportunity is now stalled.

In closing I must thank and commend my fellow Directors for their commitment and hard work over the past year. The collective expertise they bring to the organisation is of great value to the Company and to me personally.

On behalf of the Board thanks must also go to the Chief Executive Officer, Damien White and his staff for their performance throughout what has been a particularly busy and challenging year. By any measure, the performance of the organisation has been of a very high standard during 2013/14.

I also wish to thank the Hon. Rene Hidding MP for his support and assistance over the months since taking up his appointment as the Minister for Infrastructure and portfolio Minister for TasRail. It would be remiss of me not to also acknowledge the support of the previous State Government for their commitment to the rebuilding of TasRail.

Robert Annells
Chairman



**FAST
FACTS**

*Removing
Trucks*

Total freight volumes
2,595,216 tonnes in 2013/14

Equates to the removal of more than
200,000 heavy vehicle movements
from Tasmanian roads

**FAST
FACTS**

Sustaining

Rail freight saves around
12 million litres of fuel annually,
reducing Tasmania's carbon footprint

This means safer roads and
less road degradation

**FAST
FACTS**

*Securing
Jobs*

TasRail's activities and operations
generate wealth and employment
for the benefit of the State

TasRail also helps to secure thousands of
local jobs at some of Tasmania's largest and
iconic industries that are reliant on freight rail

REPORT FROM THE CEO



The conclusion of TasRail's fourth full year of operation heralds the completion of much of our capital investment program, and the Company is now well down the track in its pursuit of Operational Excellence.

TasRail is extremely fortunate to have been entrusted with scarce taxpayer funds from the Australian and Tasmanian Governments totalling around \$300 million. I am proud to say that we have directed the investment of those scarce funds wisely, executing projects on budget, and on time. To have developed a proficient project management capability from scratch is something that the business can be extremely proud of.

The complexity of prioritising, rebuilding and replacing infrastructure and operating assets that had been neglected over many decades should not be underestimated. The task to understand the State's current and future freight requirements and consequential investment outcomes against a constrained funding profile has also been a difficult one. TasRail's analysis of the freight task, and of how best to handle

it into the future, has been undertaken in close collaboration with other key infrastructure owners and stakeholders. TasRail understands that getting freight to market efficiently for Tasmanian exporters is fundamental to further economic growth for the State. The investment that TasRail has undertaken, in parallel with other infrastructure investment, is aimed at providing a well integrated freight network for the State, designed to provide the most efficient land freight outcomes for Tasmanian industries.

Likewise, decisions taken for the replacement of operating assets were based on the current and future freight task, balanced against available, proven technologies and within available funding constraints. TasRail has partnered with proven suppliers and secured quality assets at a very competitive cost.

TasRail's mission is to become "A world class, vertically integrated, short-haul freight railway." To be clear, "world class" doesn't mean "gold-plated". TasRail continues to be extremely focused on providing fit-for-purpose infrastructure and transport solutions for its customers that don't burden industry with unwarranted costs. For example, TasRail deliberately does not offer services in some market segments to avoid over-investing in areas where it simply cannot and should not compete, for example express freight. However, there is no reason why TasRail should not deliver world class performance outcomes in the context of the market segments it operates in.

TasRail should provide world class safety outcomes for its employees and its customers. It should ensure that its customer service outcomes be at world class levels and it should achieve world class levels of operating efficiencies in order to deliver competitive price offerings for its customers. Although TasRail is only in the early stages of bedding-in new equipment, the initial results of TasRail's Operational Excellence program are showing some quite outstanding outcomes in service quality and efficiency. The immediate challenge is to lock-in those improvements for the long-term.

With a majority of the new assets now in place, TasRail's next phase of development is very much focused around business process re-engineering in order to deliver Operational Excellence across all functions of the business.

The past investment strategy and new assets have provided a fundamental foundation, but now it's the ongoing investment in people and operational processes that is key to delivering long-term, sustainable, world class levels of performance.

Like many Tasmanian industries, TasRail's trading conditions over the past 12 months have been most challenging. The loss of freight volumes from Queenstown placed significant pressure on TasRail's revenues. However the business was able to realise early cost benefits from new equipment and is poised to facilitate and capitalise on new business opportunities, not only for the benefit of TasRail, but also for the broader benefit and economic development of the State.

It is a well documented fact that the rail industry in Tasmania had endured a very chequered past, but TasRail has now built a State-Owned Company that all Tasmanians can and should be proud of.

TasRail is literally the backbone of the State's integrated freight network. It carries the lion's share of the contestable freight task, and it is now well poised to help facilitate further economic benefits for the State.

Damien White
Chief Executive Officer

To have developed a proficient project management capability from scratch is something that the business can be extremely proud of.

TasRail has now built a State-Owned Company that all Tasmanians can and should be proud of.

TasRail is literally the backbone of the State's integrated freight network.

PERFORMANCE TARGETS

Each year, TasRail publishes a Statement of Corporate Intent (SCI) in compliance with Department of Treasury and Finance Reporting Guidelines that apply to State-Owned Companies. The SCI sets out TasRail's strategic direction, key initiatives and forecast performance targets for the four years to 2017/18. To view the SCI go to www.tasrail.com.au

The table below sets out TasRail's actual result for the financial year ended 30 June 2014 and the forecast targets for the 2014/15 financial year.

Performance Target	Actual Result 2013/14	Target Result 2014/15
Recordable Injury Frequency Rate*	18.4	13.3
On Time Arrivals within 30 minutes (Intermodal & Paper)	65 per cent	90 per cent
Main Line Derailments	3	3
Customer Revenue	\$37.0 m	\$34.3 m
Capital Spend**	\$86.8 m	\$78.3 m
EBITDA*** (consolidated) after Tas GVT Below Rail Infrastructure Contribution	(\$0.83) m	(\$1.4) m

*Recordable Injury is defined as the sum of Lost Time Injuries, Suitable Duties and Medical Treatment Injuries per million person work hours

** The majority of the Capital Spend relates to the new Train Control System and finalisation of payments for new rollingstock

*** EBITDA assumes no change to forecast funding arrangements

FAST FACTS

Customer Revenue
▲ 7 per cent to **\$37.1** million

Total Shiploader Revenue
▲ 71 per cent to **\$4.26** million

Total Other Revenue
▲ 36 per cent to **\$2.68** million

IMPROVED ANNUAL RESULT 2013/14

TasRail delivered a solid earnings performance for 2013/14 despite a challenging freight market.

The EBITDA result for 2013/14 was a loss of \$829k. This represents a \$1.07 million improvement compared to the previous year due to a combination of increased customer and other revenue and cost control initiatives.

Customer Revenue rose by \$2.6 million, increasing from \$34.54 million in 2012/13 to \$37.10 million in 2013/14 largely due to growth in log train traffic and shiploading volumes.

The Tasmanian Government Operating Grant for 2013/14 was \$16.569 million compared to \$16.288 million allocated in the previous financial year. Overall operating expenditure was consistent with increased customer revenue.

The net loss after tax, but before comprehensive income for the year ended 30 June 2014 was \$48.882 million after a NON-CASH impairment charge of \$41.666 million. An improvement of \$1.412 million compared to the previous financial year when TasRail reported a net loss after tax but before comprehensive income of \$50.294 million after a NON-CASH impairment charge of \$45.233 million.

The NON CASH impairment charge relates to the treatment of funding¹ received from the Australian Government for capital expenditure on the Below Rail Infrastructure.

¹ Under Australian Accounting Standards and direction from the Tasmanian Treasurer, all of the Australian Government funding received by TasRail for Below Rail Infrastructure capital improvements is required to be recognised as equity and not as revenue.



REBUILDING TASMANIA'S FREIGHT RAIL BUSINESS

At the time of its establishment, TasRail inherited a business characterised by many years of underinvestment. Under previous owners, the business had been run down to the point where it was no longer able to provide reliable and competitive freight services. As a consequence, customers had lost confidence in rail and considerable freight volumes shifted to road transport.

Funding commitments from the Australian and Tasmanian Governments have enabled TasRail to successfully implement the major elements of its Rail Recovery Plan. This highly ambitious capital program is now largely complete and paying dividends, but the scale of the task to rebuild, revitalise and grow the rail freight business in Tasmania should not be underestimated. Notably, these complex, major capital projects were completed on time and within budget.

With the completion of major capital projects, TasRail's organisational numbers are being matched to current freight task requirements, taking into account new rollingstock capabilities including higher efficiencies/productivity and a much reduced maintenance need.

Total Capital Improvement Activity Since TasRail's establishment on 1 December 2009	Total to 30 June 2014
Number of new sleepers replaced	415,648
Metres of rail replaced	119,597
Number of rail welds completed	5,075
Tonnes of ballast replaced	192,025
Metres of ballast cleaning completed	63,000
Number of bridges upgraded or replaced	42
Number of bridge transoms replaced	5,069
Number of level crossing equipment upgrades	124
Number of road crossings upgraded	168
Number of creep monuments ¹	2,032

¹ A Creep Monument is a permanent monument placed on each side of the track to facilitate the accurate measurement of creep.



Concrete Sleeper Program

Project Cost: \$46 million

Timeframe: November 2012 – June 2014

Funding: Australian Government (Nation Building)

Works partner: Downer EDI



Overview: The Concrete Sleeper Project incorporated the ballast cleaning of approximately 70 kilometres of track, the supply and installation of nearly 100,000 concrete sleepers and the installation of 64,000 metres of rail across priority areas of the network between Brighton and Burnie (equal to replacement of approximately 20 per cent of sleepers and 10 per cent of rail). The concrete sleepers were installed in track sections incorporating 200 metre radius curves or less.

Project Objectives: Improve track safety, stability and reliability. Reduce track buckles, derailment risk, track speed restrictions, transit times and track maintenance costs.



Advanced Network Train Control System

Project Cost: Forecast \$10.8 million

Timeframe: January 2010 – January 2015

Funding: Tasmanian Government (Rail Recovery Plan)

Works partner: Siemens and Tait Communications



Overview: TasRail's current Train Control System is non-automated and requires considerable human interaction and compliance with operating rules. It uses paper-based procedures and the authority to safely access the network is transmitted to trains, track workers and equipment operators via a dedicated, open channel radio system. In common with other users of "dark territory" safe working systems, TasRail continues to experience a relatively high number of safe working breaches due to human error. The new Advanced Network Train Control System provides visibility of on-track vehicles, providing additional protection through warning and alarms to the operators and Network Control. The project includes the installation of a new data communications system.

Project Objectives: Improve network capacity, safety and efficiency for track users. Reduce safe working irregularities and waiting times for asset management.



4 North West Coast Bridge Renewal

Project Cost: \$24 million

Timeframe: October 2011 – June 2014

Funding source: Australian Government (Nation Building)

Works partners: MB&A Project Consulting, VEC Civil Engineering



Overview: TasRail had identified an urgent need to either upgrade or replace four life-expired, major railway bridges on the North West Coast. These bridges are all located on a strategically vital section of the rail network. The Blythe and Forth rail bridges were replaced on the existing alignment. The Leven was rebuilt on a new alignment upstream of the existing alignment. The Don superstructure was completely replaced in a 38 hour closure of the network. The 4 North West Coast Bridge Renewal Project was nominated for a 2014 Tasmanian Engineering Excellence Award.

Project Objectives: Improve rail transit times, operational safety and reliability, long-term sustainability of infrastructure. Reduce speed restrictions and maintenance costs.





Brighton Transport Hub

Project Cost: \$80 million (Funded prior to TasRail)
Timeframe: 2007 – 2013

Funding source: Tasmanian and Australian Governments

Works partners: Former Department of Infrastructure, Energy and Resources (DIER); John Holland; Hazell Brothers; Toll

Project Overview: The Brighton Transport Hub represents the single, biggest change to the freight transport sector for many years. The project was initiated by the Tasmanian Government in 2007 and through DIER, the intermodal transport hub was constructed. Following the establishment of TasRail in December 2009, TasRail worked with DIER to identify, understand and assess the potential implications and opportunities of the Hub. This included the business case to support TasRail taking on the role of Hub Operator and ultimate Manager of the facility, with responsibility for both the Hardstand and Warehouse Zones. In December 2012, TasRail announced that it had signed national transport company Toll, as its anchor tenant at the Hub. Toll subsequently invested \$20 million in new facilities at the Hub, paving the way for the relocation of rail operations from Macquarie Point in Hobart to the Brighton Transport Hub in June 2014.

Project Objectives:

- Set a new standard for intermodal freight terminals
- Enable TasRail to play a leading role in the provision of freight logistics for both road and rail, and road and road
- Provide a focal point for the consolidation and deconsolidation of freight
- Reduce transit times between Hobart and Northern ports



New Tamper Machine and Ballast Regulator

Project Cost: \$5 million

Timeframe: September 2011 – March 2014

Funding Source: Tasmanian Government (Rail Recovery Plan)

Partners: Harsco

Project Overview: The Tamper Machine and Ballast Regulator are critical equipment required for the maintenance and safe operation of the rail network. The Tamper Machine is used to apply the correct geometry to the track and the Ballast Regulator is used to shape and distribute track ballast which supports the sleepers. The equipment inherited by TasRail was life-expired and no longer able to meet safety and operational requirements. The new Tamper Machine replaces two inefficient machines. The Ballast Regulator was designed and built in Brisbane, Queensland. The new equipment arrived in Tasmania during November 2013, and following commissioning and training, entered into service during March 2014.

Project Objectives: Ensure a higher standard of track maintenance. Improve occupational health and safety outcomes, efficiencies and maintenance outcomes.



New Hi-Rail Fleet

Project Cost: \$4 million

Timeframe: January 2010 – September 2011

Funding source: Tasmanian Government (Rail Recovery Plan)

Works partners: Gibson Tru-Bodies; FRM Launceston; Harsco

Project Overview: The inherited fleet of Hi-Rail Infrastructure Vehicles was life-expired and had deteriorated to the point where vehicles had become unreliable, unsafe and costly to maintain. The existing fleet was 19 years old and each vehicle had travelled on average more than 550,000 kilometres. They were mechanically unsound and no longer fit-for-purpose. The purchase of standard 'off the shelf' vehicles did not provide an adequate solution. It was decided to design a bespoke solution that addressed TasRail's requirements to facilitate maintenance activities from on the track. In total 17 Hi-Rail vehicles were purpose designed and built.

Project objectives: Vastly improve safety and vehicle availability. Reduce the number of hi-rail derailments and eliminate vehicle defect notices.



New Locomotive Fleet

Project Cost: \$68.5 million

Timeframe: December 2011 – late 2015

Funded by: Tasmanian Government (Rail Recovery Plan)

Partners: Downer EDI and Progress Rail

Project Overview: The replacement of TasRail's ageing and mostly life-expired locomotive fleet with brand new PR22 Locomotives built to TasRail specification and design. The new locomotives arrived in Tasmania over a period of eight months between November 2013 and July 2014. Each of the locomotives was subject to infield testing prior to being introduced into revenue services across the network as part of the commissioning process. Final acceptance of the locomotive fleet is expected to occur late in 2015. The introduction of the new locomotive fleet is a 'game changer' for TasRail.

Project benefits:

- Single locomotive design, catering for 16 and 18 tonne axle loads
- Individual trailing tonnes increase from an average of 450 tonnes to 750 tonnes per locomotive
- Individual trains to consist of two locomotives, compared to four of the old fleet
- Average length of train up to 750 metres
- Projected availability of 92 per cent over 365 days
- Substantially reduce maintenance costs
- Superior driver safety and comfort
- Readily available parts, service and warranty support



New Wagon Fleet

Project Cost: \$28 million

Timeframe: October 2012 – May 2014

Funded by: Tasmanian Government (Rail Recovery Plan)

Partners: China Northern Railway (CNR)

Project Overview: The urgent replacement of TasRail's unreliable, inefficient and life-expired wagon fleet with a new fleet of wagons constructed to TasRail specification. The new fleet comprises 120 intermodal wagons; 54 ore wagons; 18 coal wagons; and 17 cement wagons. New prototype wagons (two of each class) landed in Tasmania during September 2013 for a successful 28-day in-service trial, ahead of mass production commencing. The entire new wagon fleet was operating across revenue services by April 2014.

Project benefits:

- Fit for purpose wagons
- Reduce operating costs
- Improve reliability
- Increase capacity
- Improve operational efficiencies
- Improve safety features
- Lower operating costs
- Reduce maintenance costs
- Reduce spillage
- Better ride performance
- Decrease the risk of derailment





Hobart to Western Junction Track Upgrade

Project Cost: \$20.3 million

Timeframe: May 2010 – June 2013

Funding source: Australian Government (Nation Building)

Works partners: VEC, Digga, Gradco, Downer EDI, Queensland Rail, Abbi Group

Overview: Refurbishment of prioritised sections of the network from Hobart to Western Junction, including re-sleepering, re-railing, drainage, earthworks and level crossing upgrades.

Project Objectives:

- Reduce transit times for intermodal services on the Brighton to Burnie intermodal services
- Improve drainage to increase the operational life of track infrastructure
- Increase operational safety and reliability
- Improve track safety and stability
- Reduce the risk of derailment



Western Junction to Burnie Track Upgrade

Project Cost: \$30.2 million

Timeframe: May 2010 – June 2013

Funding source: Australian Government (Nation Building)

Works partners: VEC, Digga, Gradco, Downer EDI, Queensland Rail, Abbi Group

Overview: Refurbishment of prioritised sections of the network from Western Junction to Burnie including re-sleepering, re-railing, drainage, bridge replacements, earthworks and level crossing upgrades.

Project Objectives:

- Reduce transit times
- Removal of track speed restrictions
- Improve drainage to increase the operational life of track infrastructure
- Increase operational safety and reliability
- Improve track stability
- Reduce risk of derailment



Melba Line Upgrade

Project Cost: \$15.7 million

Timeframe: May 2010 – June 2013

Funding source: Australian Government (Nation Building)

Works partners: VEC, Downer EDI, Digga,

Overview: Refurbishment of higher risk sections of the network between Burnie to Melba Flats, including laying of 28,918 new sleepers and 907 metres of new rail, re-ballasting and tamping works. Two bridges were replaced, seven level crossings were upgraded and some 675 rail joints welded.

Project Objectives:

- Remove a number of track speed restrictions to support expanded frequency of services for existing customers
- Improve operational safety
- Improve the reliability of this strategically important route that supports West Coast industries



Fingal Line Upgrade

Project Cost: \$5.7 million

Timeframe: July 2011 – June 2013

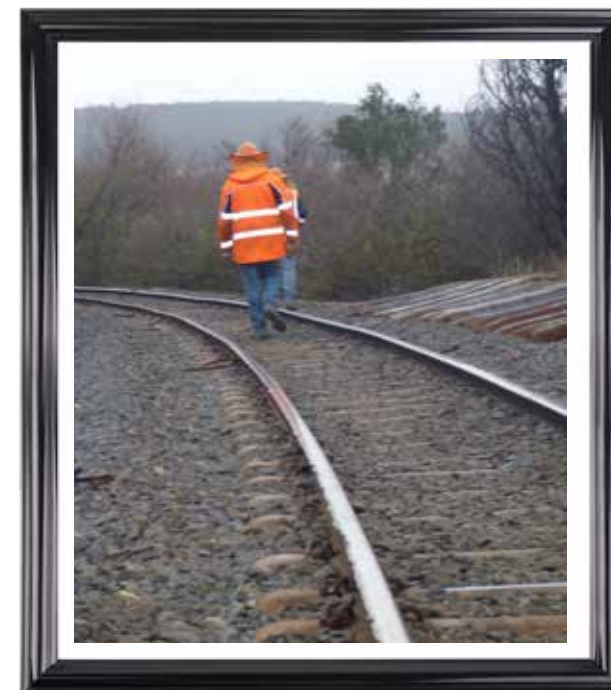
Funding source: Australian Government (Nation Building)

Works partners: Downer EDI, VEC,

Overview: The refurbishment of 54 track kilometres from Conara to Fingal. Upgrade works included the installation of 26,257 new sleepers, re-ballasting, tamping and level crossing upgrades.

Project Objectives:

- Continuity of operations across the statewide Tasmanian Rail Network
- Increase in rail usage
- Reduce the number of track closures for maintenance and repair work
- Reduce the risk of derailment



Boyer Line Upgrade

Project Cost: \$1.1 million

Timeframe: October 2011 – April 2012

Funded by: Australian Government (Nation Building)

Works partners: Downer EDI, VEC Engineering

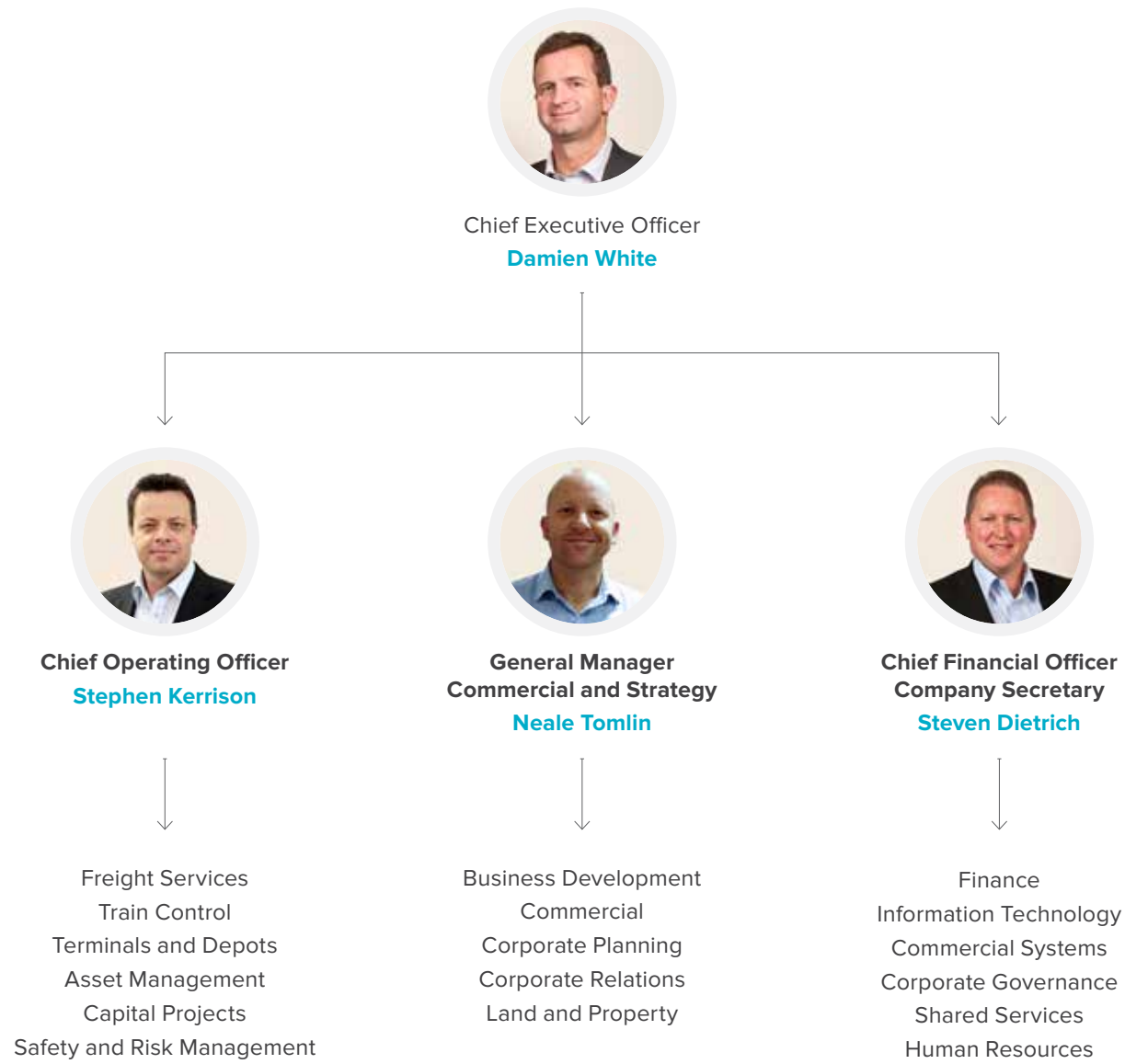
Project Overview: The refurbishment of 13 track kilometres from Boyer to Brighton. Upgrade works included the installation of 1,900 new sleepers and the replacement of life-expired 60lb and 80lb rail with 2,157m of new rail; re-ballasting and tamping works; minor bridge upgrades, drainage and earthworks.

Project Objectives:

- Ensure the continuing commercial viability of the existing service
- Improve the interface with the Transport Hub at Brighton
- Increase operational safety and reliability



EXECUTIVE STRUCTURE



PEOPLE

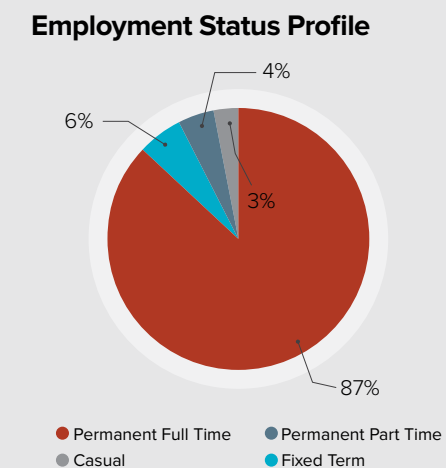
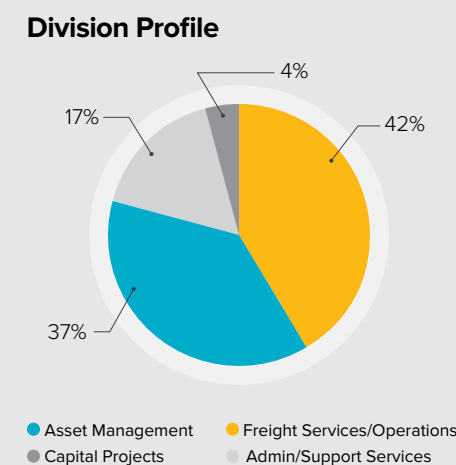
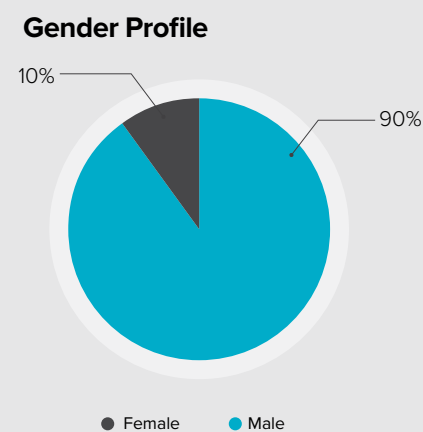
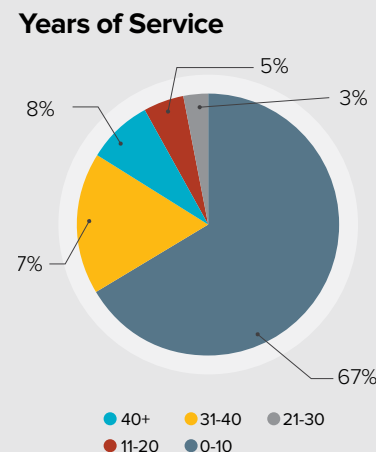
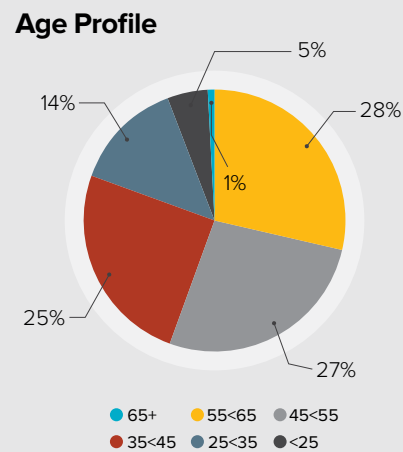
There is no doubt that it's been another challenging year for TasRail employees, but it was also one of exciting renewal as everyone seized the once-in-a-generation opportunity to rebuild the State's Freight Railway business.

It has taken a tremendous effort by employees to not only cope with the scale and complexity of TasRail's ambitious capital program, but also to manage the level and pace of change and the retraining associated with the introduction of new assets and business systems. Add to this the parallel requirement to seamlessly maintain and improve routine business operations, and it's not hard to comprehend just how busy a time it has been for the TasRail workforce.

In addition to new equipment, a number of new systems have been introduced to improve efficiencies and to simplify the way people go about their work at TasRail. The involvement of employees in the development of these systems, combined with capacity building opportunities that have inevitably resulted from TasRail's Business Transformation Program enabled many employees to develop their professional capability, either within their own role or as a leader and/or future leader of the business.

A great example is TasRail's 'Change Agent' program that commenced in July 2013 with the primary objective to maximise frontline employee input during the transition from project phase into day to day operations. A total of 26 Subject Matter Experts were selected from across the business for the role of a Change Agent or Change Ambassador. They very quickly established themselves as the 'go to' team, providing excellent support to each of the project managers whilst ensuring that all employees had access to a continual flow of information. The team proved themselves to be highly capable and passionate facilitators of change.

A new General Enterprise Agreement was also successfully negotiated during what was a period of considerable change and economic uncertainty. It received the approval of Fair Work Australia in May 2014. This two year Agreement delivers modest wage increments that recognise the performance of employees and importantly, introduces minimum competency/training requirements and changed employment practices that are expected to deliver business benefits into the future.



Total Full Time Equivalents (FTE)
263



Robbie Box Locomotive Technician

SAFETY JOURNEY

TasRail's Safety Values epitomise the Company's approach to health and safety.

- Safety is a core value and working safely is fundamental to the success of our business.
- A genuine care for the health and wellbeing of staff, contractors, customers and the wider community.
- Everyone has a right to a safe working environment.
- All incidents and injuries can be prevented.
- All jobs can be done safely.
- TasRail will continuously review, improve and recognise successes in our safety performance.

While TasRail has achieved considerable improvement in safety outcomes over the past few years, overall safety performance for 2013/14 showed the rate of improvement has plateaued.

The transport and storage industry has one of the highest Lost Time Injury Frequency Rates (LTIFR) of any industry and recent benchmarking against similar organisations shows that TasRail is performing well, relative to the sector. However TasRail is not, and should not be, satisfied with its safety improvement journey until such time as it achieves and sustains zero harm.

TasRail remains confident that the goal of zero harm is ultimately achievable but recognises it requires a genuine passion and belief by employees and contractors that all injuries and incidents can be eliminated. It also requires strong and effective safety leadership. During 2013/14 TasRail launched an initiative designed to equip frontline leaders with the skills necessary to deliver the desired safety culture and improved safety performance. The program consists of a number of core modules, such as hazard identification, incident management and injury management. This training is followed-up with coaching and mentoring in the field.

A highlight of the safety leadership program has been the improvement in TasRail's Safety Interaction system. This entails leaders spending time observing work activities and engaging employees in meaningful safety discussions that either recognise safe working behaviours or gain commitment to improved safety actions. The initiative is considered an elementary but fundamental step to replacing unsafe acts with safer working habits.

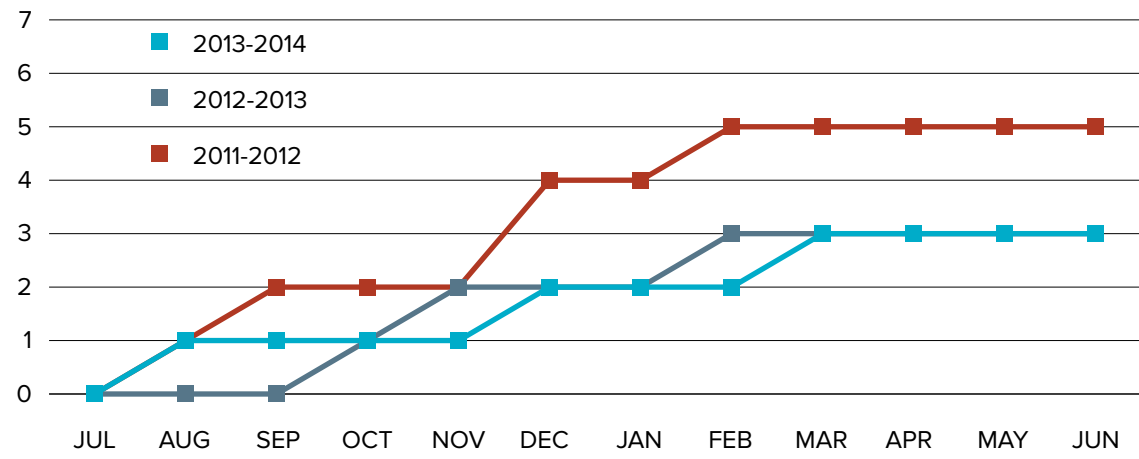
In December, TasRail launched its Employee Safety Culture Survey. This rail-focussed safety survey was developed by the CRC for Rail Innovation in conjunction with the University of Central Queensland. The 40 item survey was available to all employees in both on-line and hard copy format and was based on ten platinum rules for good organisational culture for a safe and healthy workplace. The survey closed in April. At the time of writing this report survey results were in the process of being analysed by the University.

Key Performance Indicators	2013/14	2012/13
Number of Lost Time Injuries	3	3
Lost Time Injury Frequency rate*	4.2	4.1
Number of Medical Treatment/Suitable Duties Injuries	10	8
Recordable Injury Frequency Rate#	18.4	14.9

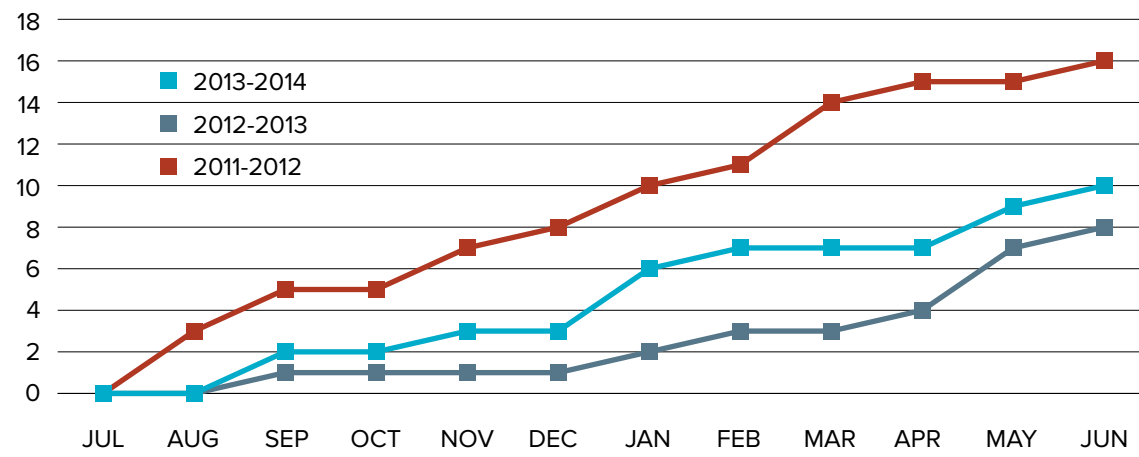
*Injury Frequency Rate = $\frac{\text{Number of relevant injuries in the period} \times 1,000,000}{\text{Number of exposure hours worked for the period}}$

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

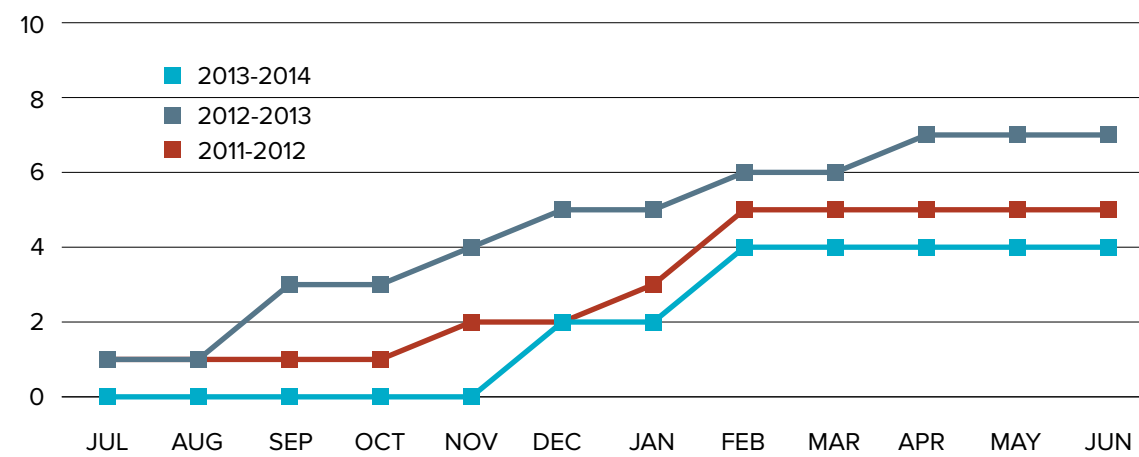
Lost Time Injuries



Medical Treatment Injuries



Safeworking Irregularities



Allan French Senior Maintainer



WORKING WITH CUSTOMERS

FAST FACTS

Coal

Railed a total of **130,000** tonnes

Total of **110** loaded services

Implemented a new 4-day week schedule to suit customer requirements and to improve asset utilisation

Introduced a new coal wagon fleet

FAST FACTS

Cement

Railed a total of **1.19** million tonnes

Operated at **91** per cent capacity

Total of **1,816** loaded services

Introduced a new cement wagon fleet

FAST FACTS

Intermodal

Railed a total of **37,034** TEU

Total of **1,711** loaded services

Introduced a new intermodal wagon fleet

FAST FACTS

Logs

First full year of log haulage on rail

Railed a total of **86,052** tonnes
11 per cent above target

Total of **150** loaded services

FAST FACTS

Paper

Railed a total of **26,301** TEU

Operated a total of **474** loaded services

Introduced a new intermodal wagon fleet

TasRail's strong customer commitment continued to pay dividends in 2013/14, interpreted through an increase of railed freight despite flat market conditions.

Highlights for the reporting period:

- An increase of 8 per cent in the general containerised freight segment. This freight included retail goods, raw materials and finished products from some of Tasmania's major manufacturing industries.
- The attraction of new freight to rail in the form of glass packaging and aluminium commodities on the Burnie to Hobart and Hobart to Burnie services.
- The implementation of a successful partnership with a major, long standing customer as they remodelled their business operations.
- The signing of a number of new contracts executed with both existing and new customers.
- Increased capability in the planning and pre-mobilisation of new transport services aligned to the start-up of new projects, showcasing TasRail's role as an economic enabler for the State.
- The successful relocation of the Hobart Terminal from Macquarie Point to TasRail's Transport Hub at Brighton. This was timed to coincide with the completion of a major investment in new facilities at the Hub by one of TasRail's major customers. Achievement of this milestone paves the way for strong growth potential and the attraction of new intermodal customers on a monthly basis.

	2013/2014	2012/2013	Change in Performance
Total Number of Intermodal Train Services (includes logs)	1,922	1,620	▲ 9.4 per cent
Total Number of Bulk Train Services	4,875	4,861	▲ 0.3 per cent



TasRail hauls two distinct types of freight – containerised and bulk. The business has a diverse customer base that includes freight forwarders, miners and manufacturers and the freight requirement of each varies, for example time sensitive rail services must align with shipping schedules. Regardless of the specific freight requirement, all customers expect that TasRail’s train services are consistently safe, reliable, efficient and competitive. The work to improve train performance and overall service offerings continued to be a priority for the business during the reporting period, culminating in the commencement of TasRail’s Operational Excellence program in November 2013.

TasRail’s train arrival performance for Intermodal and Paper train services in 2013/14 fell by 13 percent overall, due to a combination of factors. These included the need to impose additional Temporary Speed Restrictions (TSR’s) in order to simultaneously operate train services during major network upgrade works, for example the concrete sleeper project; commissioning of new rail bridges; the commissioning and introduction to service of the new locomotive and wagon fleets; and a deterioration in the performance of the inherited locomotive and wagon fleet.

As the new rollingstock fleet was progressively introduced on revenue service operations, TasRail developed a Train Service Reliability Strategy that was in the process of implementation at the end of the financial year. TasRail recognises that it needs to consistently deliver on this important Key Performance Measure. If TasRail is to step up to a performance level equal to the best of any rail freight operator, then improved planning and decision making at an operational level is fundamental, as is the input and collaboration between the Operations, Asset Management and Commercial Departments.

	2013/14	2012/13
Train Arrival performance within 30 minutes	65 per cent	78 per cent

During 2013/14 TasRail continued to work hand-in-glove with its customers. Examples include developing higher productivity loading operations at specific customer sites; improving the efficiency of train planning and scheduling; collaboration with a number of bulk customers on the loading and discharge interface.

By adopting a true partnership approach and strengthening the value of TasRail’s services for customers, the business was successful in executing a number of new, long term contracts with existing customers during the reporting period.

TasRail also continued its work with the bulk mineral sector. Through early and regular engagement with industry stakeholders, TasRail was able to develop freight and logistical service offerings to facilitate new mining operations.

In November 2013 TasRail and Venture Minerals publically announced the signing of new contracts for a very substantial number of rail haulage, bulk handling and shiploading services. Under these commercial arrangements, TasRail invested resources and skills required for the commencement of mining operations at the Riley Mine. It was most disappointing when Venture Minerals announced the suspension of the project on 19 August 2014 due to external factors.

The announcement by Venture Minerals followed decisions by two other major West Coast customers to suspend their respective mining operations during the second half of the 2013/14 financial year, resulting in the loss to TasRail of some 500,000 tonnes of mineral concentrate volume.

Despite these setbacks, TasRail has continued to develop transport solutions and new service offerings for a number of other emerging business opportunities, and the Company remains optimistic that some of these will come to fruition.

TasRail remains one of Tasmania’s largest bulk freight haulage providers. Freight rail supports some of the State’s major employers, and it is estimated that the value of the freight hauled by TasRail annually is around \$2 billion.

Rail has particular advantages over road haulage, not least being the capacity to supply integrated transport and bulk handling services. Other advantages include for example, the location of the existing rail corridor being close to Tasmania’s mineral resources; a lower carbon footprint than heavy road transport, and ownership and operation of the State’s only common-user Shiploader.

Fluctuations in global commodity prices and exchange rates and the need for the mining industry to move its product to market efficiently is an ongoing challenge, but the presence of a capable and efficient rail network remains vital to the continuation of existing operations as well as enabling future mining projects.



FAST FACTS

Metal Concentrates

Railed a total of **270,000** tonnes

Operated **457** loaded services

Introduced a new ore wagon fleet

FAST FACTS

Shiploader

678,000 tonnes of minerals direct loaded for export **▲ 50** per cent

Record month in September **81,358** tonnes

Third stage of upgrade completed



TERMINAL CAPABILITY

Efficient Intermodal terminals are fundamental to the operation of a modern freight railway. They are literally the shop-front from where TasRail interfaces with its customers, but historically the State's intermodal terminals had been neglected to the point where they have become congested, inefficient and no longer user friendly. During the financial year, a number of significant milestones were reached to overcome these problems.

Brighton Transport Hub

The Brighton Transport Hub sets a new standard for the freight logistics industry in Australia. It gives TasRail the capacity to operate an intermodal terminal that is efficient and user-friendly and that creates a platform to facilitate the shifting of more freight from road to rail.

As the Operator of the Hub, TasRail has ultimate responsibility for the warehouse and hardstand areas. Securing Toll as the anchor tenant paved the way for the National Transport Company to invest \$20 million in new facilities at the Hub and facilitated the relocation of all rail operations from the Hobart Rail Terminal to Brighton. These two significant milestones were realised in June 2014.

The layout of the Hub is designed to cater for customers who establish at the site as well as for customers who transact via TasRail's hardstand operations. Unlike TasRail's old facilities at Macquarie Point, freight can now be made available for delivery within minutes of a train arriving at the terminal.

Toll's significant investment at the Hub is a clear demonstration of its confidence in the Hub facility and TasRail's operating model.

Burnie Port Optimisation

TasRail worked closely with TasPorts and Toll during 2013/14 to progress plans for the development of an expanded, open access intermodal terminal at Burnie. The overall objective of the Burnie Port Optimisation Project is to complement terminal services provided at TasRail's Brighton Transport Hub, by facilitating similar efficiencies and ease of use between TasRail and its customers. Other benefits of the project include the removal of train shunting operations from the foreshore and optimisation of freight handling capabilities between the port and the rail terminal.

A Development Application for the project was submitted to the Burnie Council during August 2013 and subsequently approved. The scope of works was agreed in October 2013, and a tender for works released in January 2014. Tender submissions were in the final stages of assessment at the close of the financial year.

Technology Trial

TasRail also trialled and implemented a new streamlined IT system to support terminal operations in 2013/14. The iPad based (TRIMs) system facilitates a seamless electronic interface between TasRail and its customers, reducing or eliminating the need for paperwork and providing improved tracking and traceability of freight.

UNVEILING THE NEW LOCOMOTIVE FLEET

The arrival of the new locomotives was a very proud occasion for TasRail, heralding the beginning of a new era for the State's rail freight business.

The first of the new TR Class locomotives arrived in November 2013. Four more arrived in February 2014 and by 30 June 2014, a total of 14 of the 17 new locomotives were operating on the network. The remaining three locomotives arrived in July 2014, signalling the delivery of TasRail's largest capital project.

Supplied under contract by Downer Rail in partnership with Progress Rail US, TasRail's Project Team worked with the supplier to determine the design parameters specifically required for the Tasmanian Network and TasRail's operations. Locomotive Drivers and Maintenance staff were also actively involved in the design process, ensuring that the new TR's were fit for purpose, ergonomic, comfortable and easier to drive.

Supplier representatives will continue working with TasRail to oversee the commissioning process and until such time as final acceptance takes place, likely to be late 2015.

A number of the older fleet will be decommissioned, sold or scrapped once final commissioning is completed. A small number may be retained for terminal operations and potentially for future new business opportunities.

The \$68 million investment in new generation locomotives represents a real game changer for TasRail. They will see TasRail operate at a lower maintenance cost, with higher availability, substantially improved reliability, fuel efficiency and haulage capacity.



From L-R: **Mark Flint** (Electro Motive Diesel); **Daniel Broad** (Downer Rail); **Graham Windever** (TasRail Project Director); and **Ken Hofacker** (Progress Rail Services)

UNVEILING THE NEW WAGON FLEET

TasRail ended the financial year with its brand new wagon fleet in service.

- 120 intermodal wagons
- 17 cement wagons
- 54 ore (mineral concentrate) wagons
- 18 coal wagons.

Eight prototype wagons (two of each class) arrived in Tasmania during September 2013 and underwent extensive testing ahead of mass production commencing. The balance of the newly constructed wagons began arriving in Tasmania in February 2014, with the entire fleet commissioned and operational across all revenue services by April 2014.

With an expected operating life of 25 years, the new wagons deliver commonality of wagon components across the fleet for the first time in the history of the State's railway. They are also expected to result in lower maintenance costs and a smaller inventory of stocked spare parts. Other benefits include substantially increased wagon capacity and operational efficiency for bulk services; improved train marshalling and loading as a result of compatibility between intermodal wagons, better ride performance and reduced derailment risk. The new cement wagons have minimised product spillage delivering a combined environmental and cost benefit.

With the successful completion of the \$28 million wagon project, TasRail can confidently continue to support its customers well into the future.

The majority of the old, life-expired wagons will be disposed of as per TasRail's procedures for disposal of assets.



From L-R: TasRail Directors **David George** and **Sarah Merridew**,
Jason Terry Operations Supervisor South (TasRail)
On Platform: **Mayor Tony Foster** (Brighton Council)

A FIT-FOR-PURPOSE NETWORK

Through the targeted investment of Australian Government funds, TasRail has been able to upgrade the condition of the track network to a standard that is considered 'fit-for-purpose' for the services that TasRail offers.

A program of works totalling more than \$200 million has been implemented over the past four and a half years. This program has included a combination of urgent remedial works designed to prolong the maintainability of the network and other works such as the North West Rail Bridge Renewal Project that removed a number of high-risk, single points of failure from the network. The successful completion of the concrete sleeper program across priority areas of the Network has delivered a step change in the configuration of the network, eliminating the risk of track buckles and reducing the risk of derailment. The outcome will significantly reduce maintenance costs at these locations and provides a platform for increased axle load capacity into the future.

In 2013/14, combined with the purchase and commissioning of new track maintenance machinery (new tamper and ballast regulator) has exponentially improved the safety, reliability and integrity of the network to the extent that Temporary Speed Restrictions (TSRs) on the South and Western Lines were significantly reduced. However, as at the end of the financial year, some 20 per cent of the Melba Line and the Bell Bay Line remain subject to TSRs due to track condition. Ten per cent of the Fingal Line remains subject to TSRs.

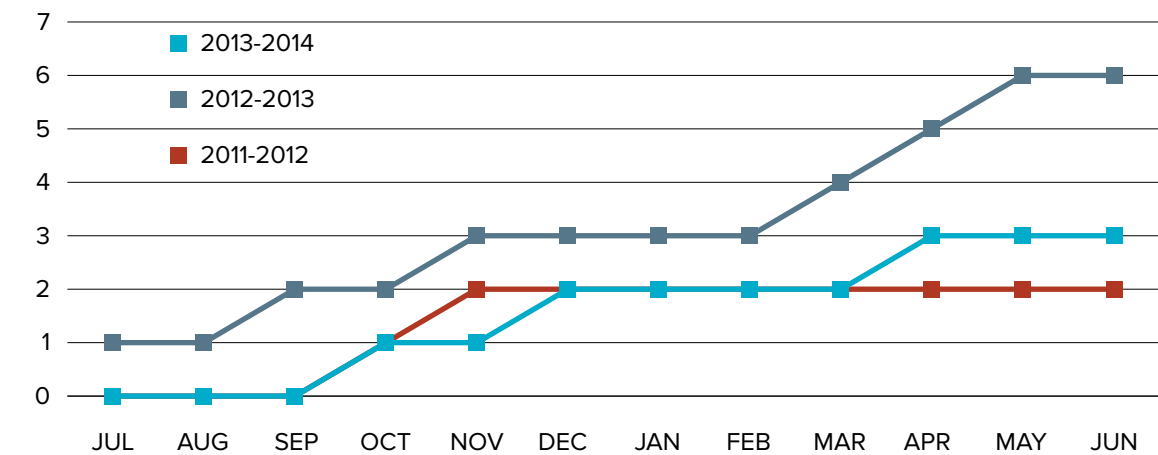
The development of TasRail's forward program of works has also enabled the transition from reactive maintenance to a planned maintenance regime. The aim is to provide a safe and fit-for-purpose network with the capability to more reliably deliver freight for customers, but within the projected level of the State Government's annual Below Rail Infrastructure Contribution.

Derailment prevention:

The past few years of TasRail's operations have seen a reduction in the number and severity of derailments and work continues to ensure that derailment risk is minimised.

During the 2013/14 financial year TasRail continued its efforts to reduce the risk of derailment. In August 2013, an internationally recognised expert in derailment prevention was engaged to work with TasRail's Infrastructure Inspectors and work gangs to increase awareness of derailment risks. The multi disciplinary initiative included practical training in the detection of derailment conditions and the development of mitigating actions to minimise risk. The focus of these workshops was largely directed to Infrastructure works, but also covered other aspects including train loading and train operations, ensuring the track is safe and within Standard and that rollingstock is maintained to Standard. TasRail also explored the use of new technologies that provide for more timely, accurate and relevant track information to be obtained and analysed quickly and accurately for appropriate response.

Running line derailments



Date	Derailment Location	Details	Contributing Factors
21 October 2013	KPW156.5	Three locomotives were derailed and a wagon. Track damage, replacement of sleepers and rail	Previous train caused damage to the track
9 December 2013	KPW50.88	Wagon derailed during reversing	Human Error
27 April 2014	KPW157.65	Lead axle of leading bogie derailed and travelled over 2kms	Track defect and loading irregularity

New Track Standards:

In early 2014 a new Track and Structures Maintenance Standard was approved by the TasRail Board and the Office of the National Rail Safety Regulator. This new Standard defines track geometry and engineering tolerances required for safe operation of the railway. The Standard also specifies the inspection and condition monitoring regime required to ensure track integrity, safety and reliability. The Asset Management Department is responsible for ensuring that frequent and regular inspections and condition monitoring are completed in compliance with the Standard.

Condition monitoring includes twice weekly inspections of mainline track by four dedicated Track Inspectors as well as a Bridge Inspector. Specialist Bridge Engineers also undertake bridge inspections. Every three months, track geometry is measured using state-of-the-art equipment mounted on a specialist vehicle. On an annual basis, track welds are inspected using ultrasonic inspection techniques. All new welds are inspected on completion. All track workers are trained and assessed as competent in nationally accredited learning pathways specifically developed and approved for the rail industry.

Areas of landslip and rock-fall remain a concern. During 2013/14 TasRail completed assessment to identify high risk areas and establish improved monitoring and controls.

Towards the end of the 2013/14 financial year, a restructure of the Asset Management team was completed to deliver enhanced capability in safety, engineering and maintenance planning.

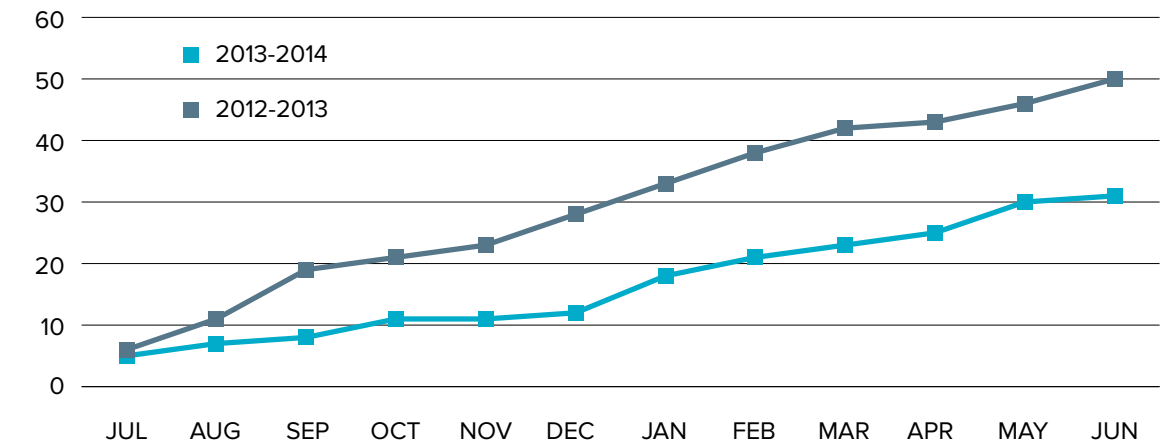
During the reporting period, TasRail also developed a series of productivity measures to ensure value for money in the delivery of track works and to identify and minimise the potential for waste.



Signals and Communications:

TasRail's dedicated signal technicians undertake regular integrity testing of signals in accordance with the Standard for Signal Infrastructure Maintenance. Improvements in level crossing safety were able to be achieved through a range of continuous improvement initiatives that are delivering further reductions in the number and frequency of fail-safe incidents compared to previous years. Example initiatives include the purchase of enhanced monitoring equipment to better detect degradation of relays, thereby minimising signal failures.

Signal faults



Vegetation management:

TasRail is responsible for maintaining over 843 route kilometres of rail corridor around the State. This includes both Operational and Non-Operational lines. TasRail has gained significant knowledge and experience in managing weeds and vegetation over the past few years and these learnings have provided useful inputs to the development of TasRail's new Vegetation Management Plan. The ten point plan was developed in consultation with the Tasmanian Farmers and Graziers Association and is available on the TasRail website.

COMMUNITY ENGAGEMENT

A tragedy happens every day somewhere on Australia's railways because of level crossing collisions, acts of trespass or suicide. It can also be as a consequence of vandalism/theft or senseless, risk taking behaviour. These incidents have a profound impact on railway employees who can suffer from stress and trauma for many years. Some never fully recover.

TasRail's Network includes some 106 active level crossings and 143 passive level crossings. In urban areas, the level crossings can be in close proximity with some located less than 200 metres apart. Additionally, there are more than 250 private level crossings and a large number of stock crossings.

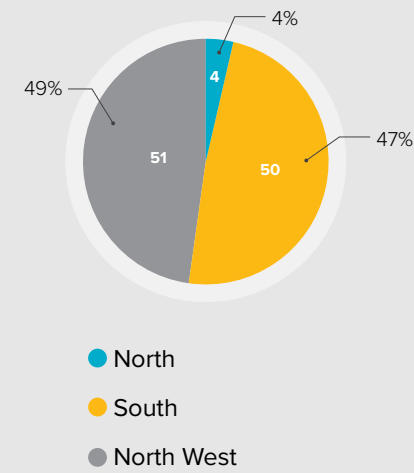
Reducing the potential for harm across the network, at level crossings and/or any location where the public interact with the railway is appropriately a matter of the highest priority for TasRail. It is an issue that the TasRail Board and Executive commit considerable time and resources to reviewing and there is a clearly articulated expectation that the business uses all reasonable endeavours to reduce the risk and severity of injury or damage to persons and property.

Since it was established in December 2009, TasRail has taken a leadership role by proactively working to increase awareness of the risks and to educate the public about community rail safety. This has included working collaboratively with Tasmania Police, the State Government, Local Government, the media, schools and community organisations, as well as the implementation of various communications strategies aimed at raising the profile of rail safety and targeting the identified at risk demographic.

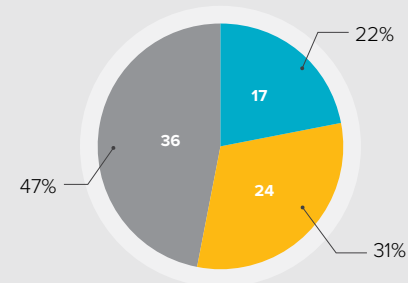
In 2013/14 TasRail developed and implemented a broader Level Crossing Safety Strategy that focuses on the four key areas of people, equipment, environment and knowledge. Progress is reported to the Board monthly.

TasRail is also an active member of the trackSAFE Foundation and the Australasian Railway Association and a keen participant in initiatives such as National Rail Safety Week, International Level Crossing Day and various community rail safety campaigns.

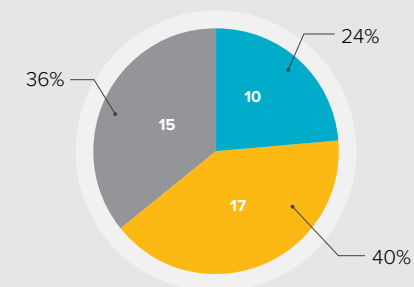
Near Miss by Region



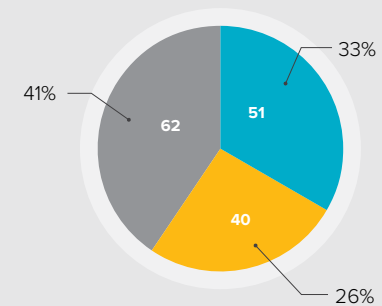
Trespass by Region



Vandalism by Region



Livestock by Region



Key Performance Indicator	2013/14	2012/13
Number of reported near miss incidents involving vehicles	93	97
Number of reported near miss incidents involving pedestrians	12	5
Number of vehicle collisions	1	1
Number of pedestrian collisions	1*	0

*Fatality

Key Performance Indicator	2013/14	2012/13
Number of reported incidents of theft and vandalism	42	47
Number of reported incidents of trespass	63	54
Number of reported incidents of livestock in the rail corridor	153	183

WE'VE SIMPLIFIED YOUR STOCK CROSSINGS

- 1 Dial train control prior to entering the rail corridor - **6335 2556**
- 2 Tell us your location using the KP marker information on the signpost at your crossing - if it's safe you can cross your stock **immediately**
- 3 Call us back once you've crossed to tell us you are clear of the line

Full details <http://www.tasrail.com.au/blog/2014/02/24/new-livestock-crossing-procedures>

Lose a minute. Not your life. **TASRAIL** Our future on track

Livestock collisions have high potential to cause significant damage to TasRail assets, including the risk of derailment. They also cause harm and distress to the animals, train drivers and those involved in the aftermath. Like the train horn noise issue, balancing the needs of farmers with the need for safe operation of the network is no easy task but in consultation with Tasmanian farmers, TasRail simplified its stock crossing communication requirements during 2013/14.

Under the new policy, landowners are required to contact Train Control to give their details and location via reference to a yellow livestock crossing sign. In the absence of a sign the farmer needs to provide a kilometre peg or other location indicator. Train Control then confirms if there is sufficient time available to safely cross the track before the next train or rail vehicle approaches. Introduction of the new system was supported by a communications campaign that included a TasRail stall at Agfest, media promotion and writing to land owners.

Train Horn Noise

The Tasmanian Rail Network dates from the late 1800s and while its alignment has changed little since, urbanisation has resulted in a creep of residential dwellings close to operational railway lines.

Following the introduction into service of the new locomotives, TasRail acknowledged the higher noise level of the horns (relative to the inherited fleet that had variable decibel levels) created legitimate community concern, particularly from across from the North West Coast where there are multiple level crossings in relatively close proximity. The issue is compounded by the reality that TasRail needs to operate freight rail services through the night/early morning hours aligned to customer requirements, product scheduling and shipping schedules. Notwithstanding, TasRail responded to train horn noise complaints by initiating a review of its operating rules, procedures and protocols for train horn use across the rail network. A safety expert with broad experience working with rail organisations across Australia and overseas was engaged to facilitate a comprehensive risk assessment for TasRail that also involved train drivers and the Tasmanian representative of the Office of the National Rail Safety Regulator. The outcome resulted in new train horn blowing protocols and changes to associated procedures applying between the hours of 2200 and 0600 and a reduced minimum frequency and duration of horn blows as the train approaches and enters level crossings. TasRail believes the changes balance appropriate safety risk mitigation with the needs of residents and to date community feedback has been generally positive.

Last Train Out of Hobart

TasRail marked the relocation from its ancestral home at Macquarie Point Railyards to its purpose-built Transport Hub at Brighton on 22 June 2014 when the last freight train service operated out of Hobart at 3.30pm. It was a momentous occasion and big crowds turned out to farewell the train as it weaved its way through Hobart suburbs for the last time. The Last Train out of Hobart was undoubtedly an historic day that people will long recollect with great sentiment.



Tourist Rail

TasRail 's engagement with tourist and heritage rail organisations and supporters continued in 2013/14, including the hosting of an annual roundtable forum with interested stakeholders in August 2013. Additionally TasRail met regularly throughout the year with a number of tourist rail organisations including the Derwent Valley Railway, Don River Railway and the Tasmanian Transport Museum Society. In-kind support was also provided, for example the donation of a number of redundant assets and assistance with rail safety matters.

Tour De Tassie

The month of February saw TasRail undertake a most ambitious community engagement campaign, to introduce the new TR-Class locomotives to the Tasmanian community. A whistle-stop tour of the main centres of Burnie, Launceston (Western Junction) and Hobart attracted more than 3,500 rail enthusiasts. Young and old were delighted to have the opportunity to get up close and personally inspect the impressive new assets and/or to generally enjoy the train experience, not seen on this scale for many decades. Overall it was a highly positive initiative that reinforced the Tasmanian public's support for TasRail.



CORPORATE GOVERNANCE

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

TasRail is managed by a Shareholder-appointed Board of Directors that meets monthly. The Chairman and each of the Directors are Independent Non-Executive.

The Company has two Shareholder Members:

- The Minister for Infrastructure, the Hon. Rene Hidding, MP as the Portfolio Minister; and
- The Tasmanian Treasurer, the Hon. Peter Gutwein, MP

In accordance with Clause 24.4 of the Constitution of Tasmanian Railway Pty Limited, one Direction was received by TasRail from its Shareholder Ministers during the 2013/14 financial year. The Direction required TasRail to release a \$1.8 million Bank Guarantee issued by Venture Minerals. The Board complied with the Direction.

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

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

Corporate Governance Principle	TasRail Compliance	Key Governance Documents	TasRail Compliance
Lay solid foundations for management and oversight	✓	Corporations Act 2001	✓
Structure the Board to add value	✓	Rail Company Act 2009	✓
Promote ethical and responsible decision making	✓	Shareholder Members' Letter of Expectations	✓
Safeguard integrity in financial reporting	✓	Treasurer's Instructions	✓
Make timely and balanced disclosures	✓	Guidelines for Tasmanian Government Businesses	✓
Respect the rights of Shareholders	✓	Department of Treasury and Finance Governance Framework and Guidelines in relation to Board appointments; Director induction, education and training; and assessment of Board performance	✓
Recognise and manage risk	✓		
Remunerate fairly and responsibly	✓	Tasmanian Railway Pty Limited Directors' Code of Conduct	✓



GLOSSARY

Active Level Crossing	A railway level crossing protected by warning bells and lights	LTI	Lost Time Injury
ARTC	Australian Rail Track Corporation. A National body established in 1997 by Commonwealth and State Governments	LTIFR	Lost Time Injury Frequency Rate
Bulk Commodity	Non-containerised bulk products including coal and minerals	MOU	Memorandum of Understanding
CEO	Chief Executive Officer	MTI	Medical Treatment Injury
CFO	Chief Financial Officer	Network	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
CO2	Carbon Dioxide	Passive Level Crossing	A railway crossing protected by a STOP and/or a GIVEWAY sign
CO2-e	Carbon Dioxide Equivalent	RIFR	Recordable Injury Frequency Rate
EA	Enterprise Agreement	Rollingstock	Locomotives and wagons
EBIT	Earnings Before Interest and Tax	SOC	State-owned Company
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation	TEU	Intermodal Container (Twenty Foot Equivalent Unit)
FEU	Intermodal container that is 12.2 metres long (Forty Foot Equivalent Unit)	Train Control	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.
FTE	Full Time Equivalent (employee)	TSR	Temporary Speed Restriction
GHG	Greenhouse Gas	Zero Harm	Aspirational goal to eliminate health, safety and environmental incidents and workplace injuries
Intermodal Containers	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.		
Intermodal Train	Wagons set-up with twist locks or pockets to haul a combination of TEU or FEU Intermodal containers		






Financial Report 30 June 2014

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97.	Directors' Declaration
98.	Independent Auditor's 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 2014 and the Independent Auditor's Report thereon.

1. Directors

The Directors of the Company for the year ended 30 June 2014 are:

<i>Name and independence status</i>	<i>Special responsibilities and other directorships</i>
 <p>Mr Robert Annells Independent Non-Executive Director, Chairman — Appointed 23 November 2009 — Re-Appointed 1 December 2012</p>	<p>Chairman, Governance and Remuneration Committee Chairman, VicTrack Chairman, Melbourne Convention Centre & Exhibition Trust Chairman, Forestry Tasmania</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 Environment Committee Member, Governance and Remuneration Committee Director, Neil Consulting Pty Ltd</p>
 <p>Mr Roger Gill Independent Non-Executive Director — Appointed 4 November 2009 — Re-Appointed 1 December 2012</p>	<p>Member, Strategy and Risk Management Committee Member, Governance and Remuneration Committee Director, Pacific Hydro Pty Ltd Director, Hydro Focus Pty Ltd Director, Tasmanian Irrigation 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 Environment Committee Member, Governance and Remuneration Committee Director, MyState Limited Director, Tasmanian Water and Sewerage Corporation Pty Ltd</p>
 <p>Mr David George Independent Non-Executive Director — Appointed 26 May 2011 — Re-Appointed 1 December 2012</p>	<p>Chairman, Safety and Environment Committee Member, Governance and Remuneration Committee CEO, Co-Operative Research Centre for Rail Innovation which was a member of the Australasian Centre for Rail Innovation for part of the year Director, Queensland Rail Ltd Member of the Queensland Rail Board</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 2014 are:

Board Meetings

14 meetings held in 2013/2014

<i>Director</i>	<i>Meetings Attended</i>
Robert Annells (<i>Chair</i>)	14
Robert Neil (<i>Deputy Chair</i>)	14
Roger Gill	12
Sarah Merridew	14
David George	14

Finance, Audit and Compliance Committee

6 meetings held in 2013/2014

<i>Director</i>	<i>Meetings Attended</i>
Sarah Merridew (<i>Chair</i>)	6
Robert Neil	6

Strategy and Risk Management Committee

4 meetings held in 2013/2014

<i>Director</i>	<i>Meetings Attended</i>
Robert Neil (<i>Chair</i>)	4
Roger Gill	4

Governance and Remuneration Committee

3 meetings held in 2013/2014

<i>Director</i>	<i>Meetings Attended</i>
Robert Annells (<i>Chair</i>)	3
Robert Neil	3
Roger Gill	3
Sarah Merridew	3
David George	3

Safety and Environment Committee

(Previously the Safety and Performance Committee)

5 meetings held in 2013/2014

<i>Director</i>	<i>Meetings Attended</i>
David George (<i>Chair</i>)	5
Robert Neil	4
Sarah Merridew	5

2. Principal activities

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

The principal 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 1800's 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 and during the year commenced operation of the Brighton transport hub.

Operating result

The net loss after tax before comprehensive income for the year ended 30 June 2014 was \$48,882,000 after an impairment loss of \$41,666,000 (2013: net loss after tax before comprehensive income \$50,294,000 after an impairment loss of \$45,233,000). This has been calculated in accordance with Australian Accounting Standards (AASBs).

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

Segment results were made up of the following, Below Rail net loss before income tax of \$43,992,000 (2013: net loss of \$48,438,000) and Above Rail net loss before income tax of \$3,958,000 (2013: net loss of \$3,096,000). The Tasmanian Government provides recurrent operating grant funding for the business.

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 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 2014. 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

On 9 July 2014, Copper Mines of Tasmania ("CMT") announced that the Mt Lyell mine has been shut and put into care and maintenance mode. This followed a period from January 2014 where the mining operations were suspended pending a review of the future operation of the mine. TasRail has provided rail freight and bulk handling services to CMT during the financial year. The financial effects of this decision will impact upon the 2014-15 financial year with the loss of \$1.8 million in revenue compared to 2013-14.

On 31 July 2014, Shree Minerals Limited ("Shree") announced that operations at the Nelson Bay River iron ore mine, which had been suspended since mid-June 2014, had been put in care and maintenance mode. The financial effects of this decision will impact upon the 2014-15 financial year with the loss of \$1.5 million in revenue compared to 2013-14.

Other than the CMT and Shree announcements, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material 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

The Company is continuing to invest and upgrade critical rail infrastructure to ensure a sustainable rail service in accordance with the Corporate Plan. The investment program to replace and upgrade the Company's rollingstock fleet to ensure enhanced reliability, efficiency and safety across the business is expected to reach completion in the 2014-15 financial year. The Tasmanian Government is providing the capital funds required to upgrade the Company's rollingstock fleet via an asset transfer from the State-Owned corporation Tasmanian Networks Pty Ltd (formerly Transend Networks Pty Ltd) to the Company in the amount of \$20 million per annum for five years to 15 May 2016.

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 2013, 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 2014.

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 4th day of August 2014.



Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

4 August 2014

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 2014, 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.

In accordance with 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
Auditor-General**

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 (\$'000)	2013 (\$'000)
Continuing operations			
Revenue from freight services		34,425	32,575
Grant income	4	16,569	16,288
Other income	4	2,676	1,974
Finance income	7	752	1,274
		54,422	52,111
Employee benefits expense		(28,495)	(25,037)
Maintenance and consumables expense		(7,495)	(9,454)
Fuel expense		(6,575)	(6,219)
Property and lease expense		(3,124)	(2,961)
Administration expense		(3,642)	(3,609)
Finance expense	7	-	-
Depreciation expense	6	(6,207)	(5,676)
Impairment expense	6	(41,666)	(45,233)
Other expenses		(5,168)	(5,456)
Loss from continuing operations		(47,950)	(51,534)
Taxation equivalent benefit (expense)	8	(932)	1,240
Loss for the year after tax before comprehensive income		(48,882)	(50,294)
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	18	(3,107)	4,132
Tax on items that may be reclassified subsequently to profit or loss	8	932	(1,240)
Total items that may be reclassified subsequently to profit or loss		(2,175)	2,892
Total comprehensive loss for the year		(51,057)	(47,402)

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

Statement of Financial Position

As at 30 June 2014

	Note	2014 (\$'000)	2013 (\$'000)
Assets			
Cash and cash equivalents	9	9,405	40,237
Trade and other receivables	10	4,202	4,773
Inventories	11	9,637	5,074
Other assets	12	256	3,177
Total Current Assets		23,500	53,261
Other assets	12	3	189
Property, plant and equipment	14	107,244	68,419
Total Non-Current Assets		107,247	68,608
Total Assets		130,747	121,869
Liabilities			
Trade and other payables	15	7,561	6,787
Employee benefits	16	4,485	4,296
Total Current Liabilities		12,046	11,083
Employee benefits	16	534	541
Total Non-current Liabilities		534	541
Total Liabilities		12,580	11,624
Net Assets		118,167	110,245
Equity			
Share capital	17	291,333	232,354
Reserves	18	181	2,356
Accumulated losses		(173,347)	(124,465)
Total Equity		118,167	110,245

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

Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Share Capital (\$'000)	Cash Flow Hedging Reserve (\$'000)	Accumulated Losses (\$'000)	Total Equity (\$'000)
At 1 July 2012		174,674	(536)	(74,171)	99,967
Equity contributed	17	57,680	-	-	57,680
Total comprehensive loss for the year	18	-	2,892	(50,294)	(47,402)
At 30 June 2013		232,354	2,356	(124,465)	110,245
At 1 July 2013		232,354	2,356	(124,465)	110,245
Equity contributed	17	58,979	-	-	58,979
Total comprehensive loss for the year	18	-	(2,175)	(48,882)	(51,057)
At 30 June 2014		291,333	181	(173,347)	118,167

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

Statement of Cash Flows

As at 30 June 2014

	Note	2014 (\$'000)	2013 (\$'000)
Cash flows from operating activities			
Receipts from customers		40,933	37,464
Grants received for operating activities		16,569	16,288
Payments to suppliers and employees		(61,511)	(53,685)
Cash generated from operations		(4,009)	67
Interest received		752	1,274
Net cash from/(used in) operating activities	22	(3,257)	1,341
Cash flows from investing activities			
Purchase of property, plant and equipment		(86,797)	(60,714)
Proceeds from sale of plant and equipment		243	78
Net cash from/(used in) investing activities		(86,554)	(60,636)
Cash flows from financing activities			
Equity contributions from the Tasmanian Government	17	27,300	20,000
Equity contributions from the Australian Government	17	31,679	37,680
Net cash provided by financing activities		58,979	57,680
Net increase/(decrease) in cash and cash equivalents		(30,832)	(1,615)
Cash and cash equivalents at start of period		40,237	41,852
Cash and cash equivalents at 30 June	9	9,405	40,237

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

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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 which have been prepared in accordance with Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board (“AASB”), and the Corporations Act 2001.

The financial statements 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 4 August 2014.

(b) Basis of measurement

The financial report is prepared on the historical costs basis, except for derivative assets from cash flow hedges disclosed at notes 12 and 23.

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

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.

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 \$5,000 are recognised in the income statement at the point of acquisition.

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

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.

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

Class of Asset	Useful Life
Buildings	9 - 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 reflects the state and age of assets acquired on commencement of the Company. New asset replacements and additions will be depreciated over their full expected useful lives when brought into operational service.

(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 which 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.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories (see accounting policy (f)), capital work in progress 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 (CGU's) 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 for the benefit of each segment.

(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.

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.

(ii) 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 which 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.

(iii) Derivative financial instruments

The Company enters into 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 23 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 12 and 23 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.

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) New accounting standards and interpretations not adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They are available for early adoption at 30 June 2014, but have not been applied in preparing these financial statements. The Company intends to adopt these standards in the first applicable financial reporting period. The extent of impact, if any, that the initial implementation of the Standards will have on the financial statements is set out below.

AASB amendment	Nature of change to Accounting Policy	Reporting periods commencing on or after	Application date for the Company
AASB 9 <i>Financial Instruments</i>	The standard affects financial assets and financial liabilities.	1 January 2017	30 June 2018
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6</i> <i>Amendments to Australian Accounting Standards</i>	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.		
AASB 2013-3 <i>Amendments to AASB 136</i>	<p>The AASB has made amendments to the disclosures:</p> <p>Remove the requirement to disclose the recoverable amount of cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment.</p> <p>Require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed.</p> <p>Require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.</p> <p>The adoption of this standard will not impact the Company's accounting policies but may result in changes to information disclosed in the financial statements.</p>	1 January 2014	30 June 2015
AASB 1031 Materiality	The objective of this standard is to make cross-references to other standards and the Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 Interpretation of Standards) that contain guidance on materiality. No impacts on the Company's financial statements are expected.	1 January 2014	30 June 2015

(m) 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.

(n) Capital management

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

(o) Comparative period

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

(p) Adoption of new and amended accounting standards
AASB 13 Fair Value Measurement

The Company has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements. The fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other A-IFRS require or permit fair value measurements and disclosures about fair value measurements, except for leasing transactions that are within the scope of AASB 17 Leases, and measurements that have some similarities to fair value but are not fair value (for example net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by AASB 13 for the 2013 comparative year, except for financial instruments, of which the fair value disclosures are required under AASB 7: Financial Instruments, Disclosures.

Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the financial statements.

AASB 119 Employee benefits

In the current year, the Company has applied AASB 119 Employee Benefits (as revised) and the related consequential amendments for the first time. AASB 119 changes the definition of short-term employee benefits. These were previously benefits that were due to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously calculated by the Company as short-term benefits no longer meet this definition and are now classified as long-term benefits. However, the Company has determined that this would not have any material impact on the amounts recognised in the financial statements and has not applied the discounted basis.

4. Other Income

	2014 (\$'000)	2013 (\$'000)
Grant income - Tasmanian Government contribution to operating expenditure (i)	16,569	16,288
	16,569	16,288
Sundry	1,499	820
Property Rental	1,032	1,076
Net gain on sale of property, plant and equipment	145	78
	2,676	1,974

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

5. Auditors' Remuneration

	2014 (\$)	2013 (\$)
Audit Services		
Auditors of the Company:		
Tasmanian Audit Office		
Audit the financial report	48,550	46,910
	48,550	46,910

6. Depreciation and Impairment

	2014 (\$'000)	2013 (\$'000)
Depreciation and impairment expense for the year consists of:		
Depreciation of buildings, plant and equipment	6,207	5,676
Impairment of Infrastructure (Note 14)	41,666	45,233
	47,873	50,909

7. Finance Income and Expense

	2014 (\$'000)	2013 (\$'000)
Interest income	752	1,274
Finance income	752	1,274
Interest expense	-	-
Finance expense	-	-

8. Taxation Equivalent Benefit

	2014 (\$'000)	2013 (\$'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	(1,989)	998
Decrease/(Increase) in deferred tax asset	(13,315)	(15,317)
Adjustments for prior years	-	118
Non-recognition of temporary differences and tax equivalent losses	14,372	15,441
Income tax (expense)/benefit attributable to profit/(loss) before other comprehensive income	(932)	1,240
Tax recognised in other comprehensive income		
Tax recognised in other comprehensive income		
Tax (expense) benefit relating to cash flow hedge reserve	932	(1,240)
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	(47,950)	(51,534)
Income tax using the domestic corporation tax rate of 30%	(14,385)	(15,460)
Increase in income tax expense due to:		
Non-deductible expenses	13	19
	(14,372)	(15,441)
Add prior year under/(over) provision	-	-
Non-recognition of temporary differences and tax equivalent losses	14,372	15,441
Total taxation equivalent expense/benefit	-	-

9. Cash and Cash Equivalents

	2014 (\$'000)	2013 (\$'000)
Bank balances	8,173	5,541
Call deposits	1,231	34,695
Petty cash on hand	1	1
Cash and cash equivalents in the statement of cash flows	9,405	40,237

10. Trade and Other Receivables

	2014 (\$'000)	2013 (\$'000)
Current		
Trade receivables	3,347	3,888
Sundry receivables	178	238
Prepayments	335	277
GST receivable	342	370
	4,202	4,773

The average credit period on freight services is 32.5 days (2013: 37.3 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

	2014 (\$'000)	2013 (\$'000)
Consumables and spare parts - At cost		
Rollingstock, plant and equipment	3,533	2,318
Infrastructure	5,893	2,561
Fuel stock - At cost	211	195
	9,637	5,074

The cost of inventory expensed in the year was \$10,010,000 (2013: \$11,605,000).

12. Other Assets

	2014 (\$'000)	2013 (\$'000)
Current		
Derivative asset - cash flow hedges	256	3,177
Non-current		
Derivative asset - cash flow hedges	3	189

13. Deferred Tax Assets and Liabilities

	2014 (\$'000)	2013 (\$'000)
Recognised deferred tax assets and liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Deferred tax assets		
Employee benefits	1,602	1,538
Trade and other payables	222	234
Property, plant and equipment	44,808	33,170
Carried forward tax losses - Revenue Losses	6,034	4,408
Carried forward tax losses - Capital Losses	518	518
Tax assets	53,184	39,868
De-recognised due to not being probable of recovery	(53,076)	(37,771)
Set-off against deferred tax liability	(108)	(2,097)
Net deferred tax asset	-	-
Deferred tax liabilities		
Inventory	64	1,018
Trade and other receivables	44	1,079
Tax liabilities	108	2,097
Set-off of tax	(108)	(2,097)
	-	-

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 which 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.

14. Property, Plant and Equipment

	2014 (\$'000)	2013 (\$'000)
Leasehold Improvements (Buildings) - At Cost	10,751	7,525
Accumulated depreciation	(2,557)	(1,902)
	8,194	5,623
Infrastructure - At Cost	158,964	117,296
Accumulated depreciation	(3,661)	(2,884)
Accumulated impairment losses	(149,040)	(107,373)
	6,263	7,039
Plant and Equipment - At Cost	3,203	2,903
Accumulated depreciation	(1,393)	(991)
	1,810	1,912
Rollingstock - At Cost	28,349	28,945
Accumulated depreciation	(15,758)	(12,158)
	12,591	16,787
Motor Vehicles - At Cost	4,250	4,296
Accumulated depreciation	(1,176)	(945)
	3,074	3,351
Capital Projects - Work in Progress	75,312	33,707
Total property, plant and equipment net book value	107,244	68,419

The Company is continuing an asset replacement program including new locomotives and wagons. As at 30 June 2014 this program was incomplete and costs to date have been recorded in the balance of Capital Projects - Work in Progress. It is expected that these assets will be capitalised during the year ending 30 June 2015 and the carrying amount will be reviewed during this year in accordance with note 3(h) Impairment.

The Company considered certain infrastructure assets relating to the Below Rail segment of the Company to be impaired. Impairment losses of \$41,666,000 (2013: \$45,233,000) 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 2014 or 2013 respectively.

Under accounting standards and direction from the Tasmanian Treasurer the Australian and Tasmanian Government contributions for capital investment 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 lessee and operator of the Brighton Transport Hub in Brighton, Tasmania. The land and improvements for the Brighton Transport Hub are owned by the Crown and have been recognised in the financial statements of the Department of State Growth (formerly the Department of Infrastructure, Energy and Resources).

14. Property Plant and Equipment (continued)

	2014 (\$'000)	2013 (\$'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	5,623	3,873
Additions	3,225	2,367
Depreciation	(654)	(617)
Carrying amount at the end of the period	8,194	5,623
Infrastructure - At Cost		
Carrying amount at the beginning of the period	7,039	7,828
Additions	41,666	45,233
Depreciation	(776)	(789)
Impairment Loss	(41,666)	(45,233)
Carrying amount at the end of the period	6,263	7,039
Plant and Equipment - At Cost		
Carrying amount at the beginning of the period	1,912	1,637
Additions	300	645
Reclassification/adjustments of assets	-	-
Depreciation	(402)	(370)
Carrying amount at the end of the period	1,810	1,912
Rollingstock - At Cost		
Carrying amount at the beginning of the period	16,787	14,310
Additions	-	6,099
Disposals	(98)	-
Reclassification/adjustments of assets	-	-
Depreciation	(4,098)	(3,622)
Carrying amount at the end of the period	12,591	16,787

14. Property Plant and Equipment (continued)

	2014 (\$'000)	2013 (\$'000)
Reconciliations		
Motor Vehicles - At Cost		
Carrying amount at the beginning of the period	3,351	3,629
Additions	-	-
Disposals	-	-
Reclassification/adjustments of assets	-	-
Depreciation	(277)	(278)
Carrying amount at the end of the period	3,074	3,351
Capital Projects - Work in Progress		
Carrying amount at the beginning of the period	33,707	27,337
Additions	86,797	60,714
Transfers out	(45,192)	(54,344)
Carrying amount at the end of the period	75,312	33,707
Total Property, Plant and Equipment net book value	107,244	68,419

15. Trade and Other Payables

	2014 (\$'000)	2013 (\$'000)
Trade payables	1,609	4,544
Other trade payables	1,708	1,297
Accrued expenses	4,244	946
	7,561	6,787

The average credit period on purchase of goods and services is 10.4 days (2013: 17.0 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 23.

16. Employee Benefits

	2014 (\$'000)	2013 (\$'000)
Current		
Liability for annual leave	2,884	2,569
Liability for long-service leave	1,601	1,727
	4,485	4,296
Non Current		
Liability for long-service leave	534	541

17. Share Capital

	2014 (\$'000)	2013 (\$'000)
Opening Balance - fully paid ordinary shares	232,354	174,674
Equity contributed during the year	58,979	57,680
Closing Balance - fully paid ordinary shares	291,333	232,354

(i) This is grant funding provided to the Company which 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 \$27,300,000 (2013: \$20,000,000)
2. Australian Government funds for capital works programmes of \$31,679,000 (2013: \$37,680,000)

18. Reserves

	2014 (\$'000)	2013 (\$'000)
Cash flow hedge reserve		
Opening Balance	2,356	(536)
Effective portion of changes in fair value of cash flow hedge	(3,107)	4,132
Tax effect arising on market valuation	932	(1,240)
Closing Balance	181	2,356

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.

19. 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 2014

Segment	Above Rail (\$'000)	Below Rail (\$'000)	Total (\$'000)
External revenues	37,008	16,662	53,670
Inter-segment revenue	-	2,912	2,912
Interest revenue	278	474	752
Interest expense	-	-	-
Impairment	-	(41,666)	(41,666)
Depreciation and amortisation	(4,289)	(1,918)	(6,207)
Reportable segment profit / (loss) before income tax	(3,958)	(43,992)	(47,950)
Reportable segment assets	94,570	26,772	121,342
Add: cash and cash equivalents not allocable to segments			9,405
Total assets			130,747
Capital expenditure	44,572	42,225	86,797

19. Operating Segments (continued)

Year ended 30 June 2013 (continued)

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

Major customers	2014 (\$'000)	2013 (\$'000)
Revenue from three parties represent approximately 50.1% (2013: 48.5%) of freight services and other income as follows:		
- Party 1 (freight services - Above Rail)	7,082	6,128
- Party 2 (freight services - Above Rail)	5,825	6,080
- Party 3 (freight services - Above Rail)	5,690	4,546

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.

20. Dividends

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

21. Commitments for Expenditure

	2014 (\$'000)	2013 (\$'000)
Capital expenditure commitments		
Above Rail	29,288	69,332
Below Rail	3,169	25,904
	32,457	95,236
Operating Leases		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	974	941
Between one and five years	927	1,521
	1,901	2,462

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 5 years with operating lease payments based on the terms of the underlying lease agreements.

During the year, an amount of \$1,172,000 (2013: \$1,147,000) was recognised as an expense in respect of operating leases.

22. Reconciliation of Cash Flows from Operating Activities

	2014 (\$'000)	2013 (\$'000)
Cash flows from operating activities		
Loss for the period	(48,882)	(50,294)
Adjustments for:		
Depreciation	6,207	5,676
Impairment	41,666	45,233
Tax (expense)/benefit relating to cash flow hedge reserve	932	(1,240)
Gain on disposal of property, plant and equipment	(145)	(78)
Operating profit before changes in working capital and provisions	(221)	(703)
- Increase/(Decrease) in payables	774	521
- Increase/(Decrease) in employee benefits	182	352
- (Increase)/Decrease in receivables	571	(270)
- (Increase)/Decrease in inventories	(4,563)	1,441
Net Cash flows from operating activities	(3,257)	1,341

23. 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:

	2014 (\$'000)	2013 (\$'000)
Cash and cash equivalents (Note 9)	9,405	40,237
Trade and other receivables (Note 10)	4,202	4,773
Derivative assets - cash flow hedges (Note 12)	259	3,366
	13,866	48,376

The geographic exposure to credit risk is limited to Australia. More than 85 percent of the Company's customers have been transacting with the Company or previous operators of the rail network, for over 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.

	2014 (\$'000)	2013 (\$'000)
The ageing of trade receivables at the reporting date was:		
Not past due	3,130	2,944
Past due 0-34 days	191	879
Past due 34-65 days	21	11
Past due more than 65 days	5	54
Total	3,347	3,888

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

23. Financial Instruments (continued)

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:

	2014 (\$'000)	2013 (\$'000)
Non-derivative financial liabilities		
Trade and other payables - payable in 6 months or less	7,561	6,787

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 currency in which these transactions are primarily denominated are the United States Dollar (USD). The Company uses forward exchange contracts to hedge its currency risk.

Exposure to currency risk

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

	2014	
	USD (\$'000)	NZD (\$'000)
Trade payables	-	-
Forward exchange contracts payable (receivable)	(259)	-
Net exposure	(259)	-

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

23. Financial Instruments (continued)

The following significant exchange rates applied during the year:

	2014	
	Average	Reporting date spot rate
AUD : USD	0.918	0.940

	2013	
	Average	Reporting date spot rate
AUD : USD	1.027	0.927
AUD : NZD	1.249	1.186

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 (\$'000)	Weakening - impact on profit or loss, and equity (\$'000)
30 June 2014		
USD (10% movement)	(23)	29
30 June 2013		
USD (10% movement)	(289)	354
NZD (10% movement)	(16)	20

23. Financial Instruments (continued)

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 interest rates would have increased or decreased the Company's profit and loss by the following amounts. There is no impact in the Company's equity.

	<i>Interest rates increased by 100 basis points (\$'000)</i>	<i>Interest rates decreased by 100 basis points (\$'000)</i>
30 June 2014		
Financial assets:		
Cash and cash equivalents	249	(249)
Trade and other receivables	-	-
Financial liabilities:		
Trade and other payables	-	-
30 June 2013		
Financial assets:		
Cash and cash equivalents	384	(384)
Trade and other receivables	-	-
Financial liabilities:		
Trade and other payables	-	-
Undrawn financing facilities		
The Company had access to the following undrawn financing facilities at the end of the reporting period:		
	<i>2014 (\$'000)</i>	<i>2013 (\$'000)</i>
Corporate charge card facility	181	166
Borrowings	40,000	-
	40,181	166

The Tasmanian Government is providing the capital funds required to upgrade the Company's rollingstock fleet via an asset transfer from the State-Owned corporation Tasmanian Networks Pty Ltd ("TasNetworks") to the Company in the amount of \$20 million per annum for five years to 15 May 2016. However, these capital projects and the associated expenditure are expected to be substantially complete by 30 June 2015 which is in advance of the TasNetworks contributions. In order to meet these capital expenditure requirements, the Company entered into a borrowing facility with Tascorp during the current year. As at 30 June 2014 the facility had a maximum limit of \$40 million which was undrawn. The maximum limit will reduce as contributions are received from the TasNetworks and paid to Tascorp.

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

23. Financial Instruments (continued)

Fair value

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets is based on quoted prices at the end of the reporting period.

Level 2: The fair value of instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Year ended 30 June 2014

	<i>Level 1 (\$'000)</i>	<i>Level 2 (\$'000)</i>	<i>Level 3 (\$'000)</i>	<i>Total (\$'000)</i>
Derivative financial asset - cash flow hedges	-	259	-	259

Year ended 30 June 2013

	<i>Level 1 (\$'000)</i>	<i>Level 2 (\$'000)</i>	<i>Level 3 (\$'000)</i>	<i>Total (\$'000)</i>
Derivative financial asset - cash flow hedges	-	3,366	-	3,366

There were no transfers between levels in the reporting period (2013 \$Nil).

The fair value of the derivative financial assets have been determined based on forward exchange rates at 30 June.

The carrying values of all of the Company's other financial assets and financial liabilities approximate their fair value.

24. Contingencies

Under the terms of the Lease from the Minister for Infrastructure for the Rail Corridor and associated infrastructure, the Company is responsible for remediation of any environmental obligations that may become apparent as a result of the Company's operations or past operations of the network. There were no environmental liabilities identified at balance date that would have a material effect on the Company's Financial Report at 30 June 2014. 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.

25. Subsequent Events

On 9 July 2014, Copper Mines of Tasmania ("CMT") announced that the Mt Lyell mine has been shut and put into care and maintenance mode. This followed a period from January 2014 where the mining operations were suspended pending a review of the future operation of the mine. TasRail has provided rail freight and bulk handling services to CMT during the financial year. The financial effects of this decision will impact upon the 2014-15 financial year with the loss of \$1.8 million in revenue compared to 2013-14.

On 31 July 2014, Shree Minerals Limited ("Shree") announced that operations at the Nelson Bay River iron ore mine, which had been suspended since mid-June 2014, had been put in care and maintenance mode. The financial effects of this decision will impact upon the 2014-15 financial year with the loss of \$1.5 million in revenue compared to 2013-14.

Other than the CMT and Shree announcements, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material 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.

26. Related Party Transactions

(a) Remuneration Report

Remuneration is referred to as compensation throughout this report.

The Company has complied with the requirements of the Director and Executive Remuneration Guidelines, dated March 2014 ("the Guidelines") since this was issued. Up until the commencement of the Guidelines the remuneration levels were set based on independent advice and the Company is progressively aligning these existing agreements to the Guidelines.

Key management personnel

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

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.

26. Related Party Transactions (continued)

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 which is designed to reward senior executives for meeting or exceeding their financial and other objectives.

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.

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.

26. Related Party Transactions (continued)

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:

<i>Band</i>	<i>Number of directors 2014</i>	<i>Directors' fees (\$)</i>	<i>Committee fees (\$)</i>	<i>Superannuation * (\$)</i>	<i>Other fees (\$)</i>	<i>Total 2014 (\$)</i>	<i>Total 2013 (\$)</i>
<\$50,000	4	117,250	37,562	40,841	-	195,653	186,726
\$50,000 or greater	1	109,970	-	10,172	-	120,142	117,076

<i>Band</i>	<i>Number of directors 2013</i>	<i>Directors' fees (\$)</i>	<i>Committee fees (\$)</i>	<i>Superannuation * (\$)</i>	<i>Other fees (\$)</i>	<i>Total 2013 (\$)</i>	<i>Total 2012 (\$)</i>
<\$50,000	4	124,492	36,824	25,410	-	186,726	183,068
\$50,000 or greater	1	107,409	-	9,667	-	117,076	178,716

* Superannuation represents employer contributions including amounts salary sacrificed.

Key Management Personnel

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

<i>Band</i>	<i>Number of employees</i>	<i>Base salaries (\$)</i>	<i>Short term incentive payments *** (\$)</i>	<i>Bonuses **** (\$)</i>	<i>Superannuation * (\$)</i>	<i>Termination benefits ***** (\$)</i>	<i>Vehicles (\$)</i>	<i>Other benefits ** (\$)</i>	<i>Total 2014 (\$)</i>	<i>Total 2013 (\$)</i>
2014		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<\$150,000	1	30,604	-	-	3,791	10,380	3,973	(2,784)	45,964	165,675
\$150,000 to \$300,000	6	984,385	60,162	-	128,199	6,093	37,319	54,997	1,271,155	1,577,623
\$300,001 to \$450,000	2	535,830	77,900	-	56,770	-	46,567	26,789	743,856	414,206
> \$450,001	-	-	-	-	-	-	-	-	-	-
2013		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<\$150,000	2	130,345	-	-	11,731	-	18,284	5,315	165,675	3,899
\$150,000 to \$300,000	7	1,150,715	117,434	-	158,071	23,144	120,387	7,872	1,577,623	1,387,701
\$300,001 to \$450,000	1	292,063	46,325	-	30,455	-	18,209	27,154	414,206	340,782
> \$450,001	-	-	-	-	-	-	-	-	-	-

* Superannuation represents employer contributions including amounts salary sacrificed.

** Movements in leave accruals are included in the table above in Other Benefits.

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

**** Bonuses are non-recurrent payments in addition to base salary that do not depend on achieving specified performance goals.

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

26. Related Party Transactions (continued)

In accordance with Accounting Standard AASB 124 Related Party Disclosures, the Company notes that Short Term Employee Benefits were \$2,041,522 (2013 \$2,162,487), Other Long Term Employee Benefits being the movement in accrued annual and long service leave were \$79,002 (2013 \$40,341), Post Employment Benefits were \$239,775 (2013 \$235,334) and Termination Benefits were \$16,473 (2013 \$23,144).

(b) Transactions with Other Related Parties

Mr David George is former CEO of the Rail CRC Limited. Rail CRC Limited was paid \$30,000 (2013: \$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 Pty Ltd whose ultimate owner is also The Crown in Right of Tasmania. During the year the Company was engaged by Forestry Tasmania Pty Ltd 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 Pty Ltd for the year was \$1,056,000 (2013: \$275,000).

The Company from time to time requires access to the rail infrastructure assets via properties adjacent to the railway line with agreement from landowners. An agreement is in place with an entity related to Mr Robert Annells that provides for access to the railway line and for storage of materials on normal commercial terms and conditions for access rights. Mr Annells excluded himself from any discussions or decisions made by the Company with respect to this agreement.

(c) Ultimate owner

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

27. Board Approved Overseas Travel

Overseas travel undertaken by the Directors, the Chief Executive Officer and other employees of the Company for the year ended 30 June 2014 was as follows:

	<i>Total Trips</i>	<i>Total Cost</i>
Overseas travel by the Directors and the Chief Executive Officer	2	\$12,066
Overseas travel by other employees	40	\$365,442

Overseas travel incurred was required in connection with the locomotive, wagon, track maintenance equipment and train control capital projects. The trips and costs incurred were allowed for in the estimates for each of the capital projects and formed part of the design, management and quality assurance processes in procuring these new assets.

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 2014 and of its performance, for the financial year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
- (d) 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 19 which includes a statement regarding the Company's dependence on government contributions;
- (e) 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 2014.

Signed in accordance with a resolution of the directors:



Mr Robert Annells
Chairman

Dated at Launceston this 4th day of August 2014.

Independent Auditor's Report

To the Members of Tasmanian Railway Pty Ltd

Financial Report for the Year Ended 30 June 2014

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 2014 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 2014 and its financial performance for the year ended on that date, and
 - (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 of the financial report that gives a true and fair view 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 report complies 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

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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, and
- 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 4 August 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
11 August 2014

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