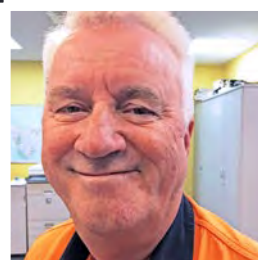
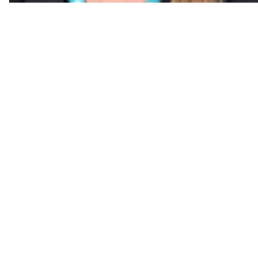
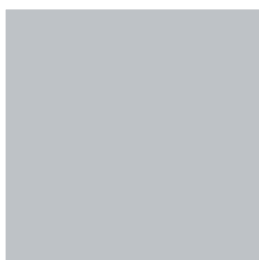
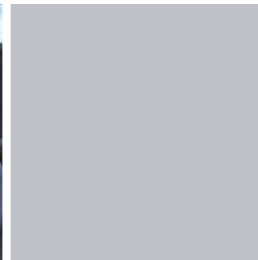
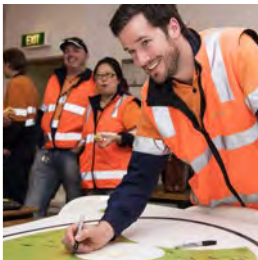
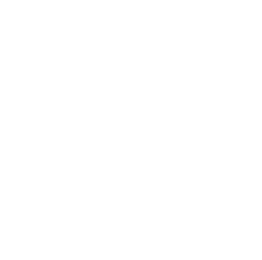
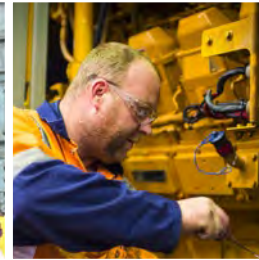




annual report
2016/17



TasRail is the proud custodian of Tasmania's 150-year-old rail network.

As a vertically-integrated State-owned business, Tasmanian Railway Pty Ltd (TasRail) strives to set new benchmarks of excellence through the safe, reliable and competitive delivery of innovative and integrated logistics solutions.

TasRail's highly-valued team of employees and contractors continuously challenge traditional thinking and relentlessly pursue value-adding activities to achieve economic, social, environmental and leadership distinction for our customers, Shareholder Members and the wider Tasmanian community.

Established on December 1, 2009 by an Act of Parliament, TasRail is actively managing a \$119.6 million investment jointly funded by State and Federal Governments into Tasmania's rail infrastructure and is poised to present an unprecedented chapter in Tasmania's remarkable rail history.

OUR PEOPLE DELIVERING EXCELLENCE IN INNOVATIVE FREIGHT LOGISTICS SOLUTIONS



Tasmanian Railway Pty Ltd
ACN 139 383 761
ABN 83 139 383 761

☎ 1300 TASRAIL
🌐 www.tasrail.com.au
📘 [facebook.com/Follow.TasRail](https://www.facebook.com/Follow.TasRail)
🐦 twitter.com/TasRail

Head Office
11 Techno Park Drive
(PO Box 335)
Kings Meadows 7249

VISION

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

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OUR BUSINESS

Tasmanian Railway Pty Ltd (TasRail) is a State-owned Company and was created as a vertically integrated railway by combining the Below Rail assets that the State had assumed responsibility for in 2007 with all the Above Rail and Business Assets purchased from Pacific National in 2009, including the Emu Bay Railway.

The principal objectives of the business are listed 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.

The Treasurer and the Minister for Infrastructure are the two Shareholder Members of the Company.

TasRail is managing a significant joint State and Federal Government funded upgrade of Tasmania’s railway infrastructure that has enabled TasRail to increase its freight haulage business by more than 30 per cent over the past seven years.

The \$119.6 million funding commitment will ensure TasRail further cements its key focus of delivering optimal and innovative logistics solutions to its customers and in a safe, reliable and competitive manner.

TasRail's core business focus includes:

- Multi modal haulage services for intermodal and bulk freight, such as logs, paper, coal, cement, mineral ores, processed metals and domestic consumables;
- Supply chain partnerships;
- Bulk handling and storage;
- Ship loading;
- Seamless interconnectivity between freight rail and mining and manufacturing facilities; and
- Design of tailored solutions including Greenfield developments and Brownfield operations.

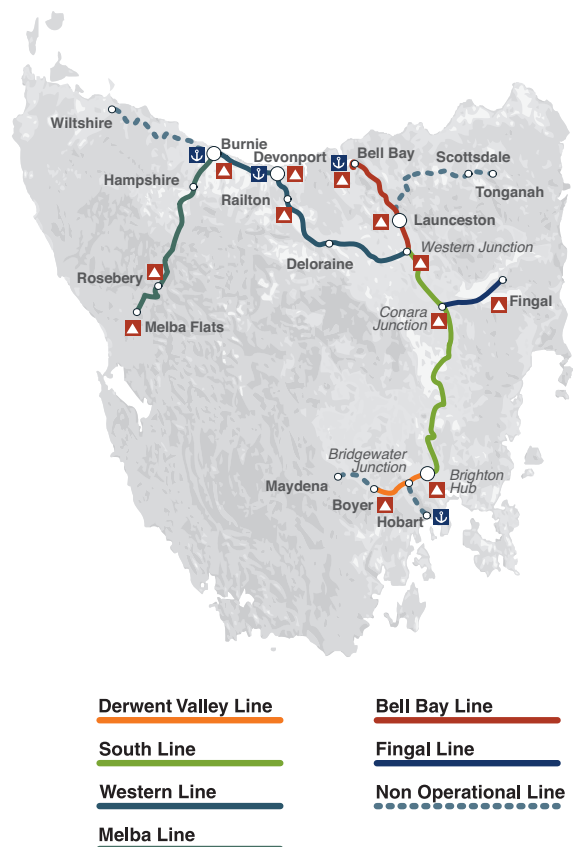
ABOVE RAIL ASSETS

17	locomotives TR Class
8	legacy locomotives 2000 Class
54	ore wagons
18	cement wagons
40	logtainers
37	coal wagons
166	intermodal wagons
35	legacy wagons
1	shiploader

BELOW RAIL ASSETS

611	route kilometres of operational track
232	route kilometres of non-operational track
1.3	million sleepers
3	tunnels
355	bridges
23	hi-rail vehicles
2	ballast tampers
1	ballast regulator
106	active level crossings
143	passive level crossings

OUR NETWORK AND TERMINALS



Derwent Valley Line

South Line

Western Line

Melba Line

Bell Bay Line

Fingal Line

Non Operational Line

STATEMENT OF CORPORATE INTENT

TasRail measures its performance against a range of financial and non-financial targets. These targets are agreed between the Company and its Shareholder Members prior to each financial year, and are published in an annual Statement of Corporate Intent. The table below shows TasRail's actual performance against the agreed measures and targets for 2016/17.

Performance Target	2016/17 Target Result	2016/17 Actual Result	Comments
Lost Time Injury Frequency Rate [^]	2	4.6	TasRail is committed to safety excellence. Three Lost Time Injuries were classified in 2016/17. One LTI was incurred by a contractor on a TasRail site. The other two LTIs occurred from events in 2015/16 and resulted in days away from work in 2016/17. It was commendable that no TasRail employee was involved in a LTI event in 2016/17
Recordable Injury Frequency Rate*	12	13.3	
Freight Availability <i>General Intermodal</i>	98 %	92.5 %	TasRail has embarked on significant track work in this financial year, that has impacted on Freight Availability but has also cemented a strong platform for the ongoing safe, reliable and competitive delivery of freight on behalf of our customers
Main Line Derailments	0	1	TasRail recorded zero mainline derailments on running lines outside of yards. The one minor derailment occurred on the mainline within a yard. There were no injuries and no damage to freight. TasRail's derailment prevention strategy continues to decrease the likelihood of derailments across the network
Below Rail Infrastructure Cost <i>Per track kilometre</i>	\$23.8 thousand	\$23.5 thousand	Infrastructure maintenance expenditure was on budget across the network
Customer Revenue	\$32.5 million	\$32.9 million	Strong performance from the bulk sector underpinned revenue exceeding budget target in the reporting period
Capital Spend	\$49.2 million	\$52.2 million	Capital expenditure in the Infrastructure Investment Program was over budget due to timing impacts on planned inventory procurement
EBITDA <i>Consolidated after Tas Govt Below Rail Infrastructure Contribution</i>	\$(2.2) million	\$(1.8) million	Combination of better than budget revenue and strong cost stewardship resulted in above budget financial performance
Above Rail Net Profit (Loss)	\$(3.8) million	\$(2.2) million	

[^] Lost Time Injury is defined as the sum of Lost Time Injuries per million person work hours.

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

Note: Customer revenue is for freight haulage and shiploading revenue only.



ROBERT ANNELLS PSM
CHAIRMAN

CUSTOMER SURVEY

85%
"VERY SATISFIED"
WITH TASRAIL SERVICE

77%
"HIGHLY VALUE"
TASRAIL'S BUSINESS
PARTNERSHIP
(COMPARED TO 33% IN 2014)

DESCRIBED
TASRAIL'S 2016
FLOOD RESPONSE AS:

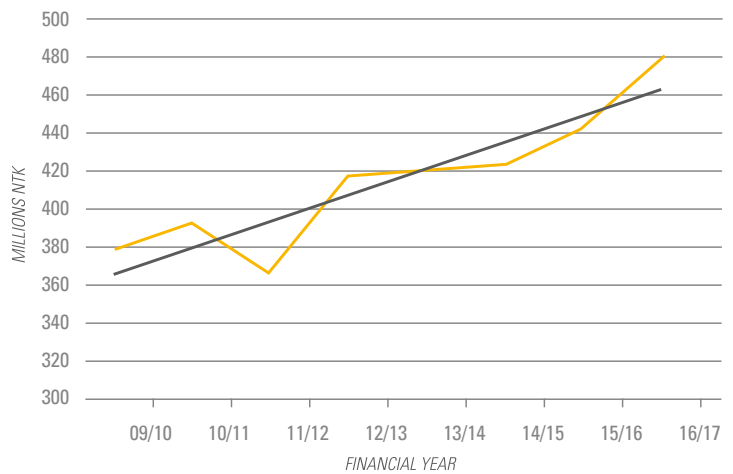
"UNBELIEVABLE"
"REMARKABLE"
"EXCELLENT"
"MAGNIFICENT EFFORT"

CHAIRMAN'S REPORT

2016/17 has been a very successful year for TasRail with considerable growth achieved in its commercial Above Rail division. This growth is a pleasing demonstration that Tasmanian businesses now regard rail as a safe, reliable and cost effective alternative freight option.

Total container volumes (TEU) increased by 7 per cent year on year despite challenging market conditions. TasRail's bulk customer segment continued to perform well and a strong end of year performance resulted in finishing 14 per cent above budget.

FREIGHT GROWTH (NET TONNE KILOMETRES)



Total tonnes of coal delivered by rail increased by 43 per cent. This is a direct result of most of the Fingal to Boyer volumes being converted from road to rail.

It was also pleasing to note that an Audit of Customer Perceptions and Expectations in November 2016 revealed TasRail has significantly improved its performance over the past two years. Customers described TasRail's current performance as "customer focused"; "willing to help"; "good people"; "genuine attempt to get it right"; and "safe".

Some of our customers made the following statements:

"There is now a very different attitude and culture in TasRail."

"They're reliable, efficient, cost competitive and customer focused."

"They are customer oriented...their flood performance was outstanding."

"There has been positive change in TasRail. They are a real partner."



As part of TasRail's commitment to environmental excellence, the organisation has committed to a challenging fuel conservation target. A 2.4 per cent improvement in fuel consumption was recorded in 2016/17 compared to the previous financial year.

The Drive to 75 Program was introduced in early 2017 as a cost-reduction initiative aimed at lowering expenditure and increasing revenue to meet TasRail's financial objectives. I am delighted that this program is being successfully implemented and that management and the TasRail team are deploying a wide range of cost control measures and revenue growth initiatives.

TasRail has also achieved considerable improvements in safety with no TasRail employee suffering a Lost Time Injury in 2016/17. This is a pleasing achievement and in part due to each TasRail team member embracing the proactive SafetyCircle concept focused on "Home Safe and Well Today".

The State and Federal Governments' ongoing commitment to the Tasmanian Freight Rail Revitalisation Program has enabled significant upgrades to the rail network, in particular level crossings, bridges, track and culverts.

As a result, TasRail only recorded one minor mainline derailment in 2016/17, which occurred in a yard and resulted in no injuries or damage to freight. TasRail is well on track to its target of zero mainline derailments.

After eight years as Chair of TasRail, it is an incredible honour to reflect on how far the organisation has progressed.

While there have been many highlights, the standardisation of the locomotive and wagon fleet is a key achievement, as well as the introduction of the state-of-the-art Advanced Network Control System enabling the real-time monitoring of each locomotive's speed and location, whilst also ensuring the protection of our track maintenance staff.

The diversification of our customers and freight; the genuine partnerships now established to deliver sustainable logistics solutions for our customers; increasing operating efficiencies and the ongoing customer engagement focus of the TasRail team are also high points of my term at TasRail.

I have no doubt that TasRail is poised for future great success based on the strong foundations already paved.

I would like to sincerely thank my fellow Directors for their much-appreciated contribution to TasRail, as well as CEO Damien White, his Executive and the entire TasRail team for their passion, perseverance and hard work to ensure we are on track.

And on behalf of the Board, I would also like to thank TasRail's Shareholder Members the Hon. Rene Hidding MP and the Hon. Peter Gutwein MP for their ongoing support and commitment to a bright and prosperous future for rail in Tasmania.



DAMIEN WHITE
CHIEF EXECUTIVE
OFFICER

**“FOR THE FIRST
TIME, TASRAIL
FREIGHTED MORE
THAN 3 MILLION
TONNES IN A YEAR,
WHICH EQUATES TO
AT LEAST 140,000
LESS HEAVY VEHICLE
MOVEMENTS ON
OUR ROADS AND
55,000 LESS TONNES
OF HARMFUL
EMISSIONS.”**

OUR CEO

I am incredibly proud of the TasRail team and its achievements over the 2016/17 financial year. The combination of further growth in freight volumes, strong revenue, sound cost control measures and the absence of any significant operating incidents ensured TasRail was able to deliver financial results better than budgeted and consistent with our trajectory towards commercial sustainability.

In 2016/17, TasRail hauled 3 million tonnes of freight in a year for the first time on the Tasmanian freight rail network. A significant increase in coal volumes, as well as sound growth in the cement and paper sectors, was witnessed as more road movements were converted to rail.

A renewed and reinvigorated focus on our people and our safety has also delivered real results.

While TasRail has recorded significant improvements in its key safety measures since inception, some results in recent years had plateaued. As a consequence, during 2016/17 TasRail embarked upon a behavioural-based safety improvement program known as SafetyCircle. The concept of SafetyCircle is to reinforce individual employees' accountability to driving improved safety results – for the benefit of them at work and at home. The phrase “Home Safe and Well Today” is designed to emphasise that every decision we make has the potential to influence whether our staff are able to go home safe and well each day.

“I am delighted to report that no TasRail employee has suffered a Lost Time Injury since the completion of SafetyCircle training in July 2017.”

TasRail undertook its second Employee Engagement Survey during the year. While the results were a significant improvement over the previous survey, much work remains to ensure our workplace is one where all employees are able to further develop their roles to provide higher levels of employee satisfaction. A critical component of this is further enhancing our leadership capability across the entire organisation. This past year saw a renewed focus on leadership, specifically to develop respectful and rewarding relationships at TasRail workplaces. We are starting to see some great improvements in this area.

TasRail has now cemented itself as a key member of the Business Action Learning Tasmania (BALT) team, working closely with companies such as Bell Bay Aluminium, Cement Australia, Tasmanian Alkaloids and others. This platform provides an invaluable environment for the TasRail team to interact with other employees to develop and deliver business improvement projects. Employees gain valuable skills and form relationships that continue beyond these projects. TasRail is proud to be involved in this program that provides great value to employees and industry.



FREIGHT GROWTH 2016/17 COMPARED TO PREVIOUS FINANCIAL YEAR



COAL
total tonnes delivered

43%
increase



CEMENT
total net tonnes delivered

9%
increase



TEU
twenty foot equivalent containers hauled

7%
increase

The Tasmanian Government’s May 2017 budget announcement of the State’s co-contribution to the re-building of Tasmania’s rail infrastructure demonstrated the Government’s commitment to the rebuilding program, and the value that TasRail is delivering to Tasmania’s key industries. The funding is designed to bring the rail network up to a standard that ensures TasRail’s freight operations can continue to deliver value to customers, and that ongoing infrastructure maintenance and renewals can be funded by a combination of the State Operating Grant and surpluses generated by TasRail’s freight business. Such an operating model is designed to avoid the network deteriorating as it has over the past three decades or more, so that rail is positioned to assist existing and new industries with efficient freight transport solutions.

As part of the identification of future growth prospects, TasRail has determined there is little likelihood of requiring current non-operational lines. The State Government developed the *Strategic Infrastructure Corridors (Strategic and Recreational Use) Bill 2016* to facilitate the use of these corridors for other purposes. As a consequence, TasRail has no formal role in determining the future use of such

corridors, however, the Bill does provide for the corridor(s) returning to TasRail in the future if a commercial prospect materialises.

The impact from the June 2016 flood event carried through into the start of the 2016/17 financial year. However, the TasRail team and its contractors delivered on our promise to minimise the impact of the flood event on our customers. The repairs to the Kimberley Bridge, which was partially destroyed during the floods, were completed within 45 days from commencement, and enabled TasRail to re-establish normal services to its customers. The new bridge has increased capacity and resilience to better cope with any future flood events. Whilst the floods had a devastating impact on many of Tasmania’s communities, TasRail employees demonstrated their resolve to keep Tasmania’s key industries operating during this time.

Our ongoing business growth, continuously improving safety performance, and financial results consistent with our commercial sustainability objectives would not have been possible without the focus and assistance from every employee at TasRail – a genuine and much-appreciated team effort. Finally, I would like to thank the TasRail Board for their continued guidance and assistance.


OUR ACHIEVEMENTS IN 2016/17

CAPITAL INVESTMENT:


\$52.2 
MILLION CAPITAL SPEND


TRAINEE DRIVERS:
LARGEST INTAKE
SINCE TASRAIL'S INCEPTION

FREIGHT GROWTH:

43% 
GROWTH IN COAL TONNES HAULED

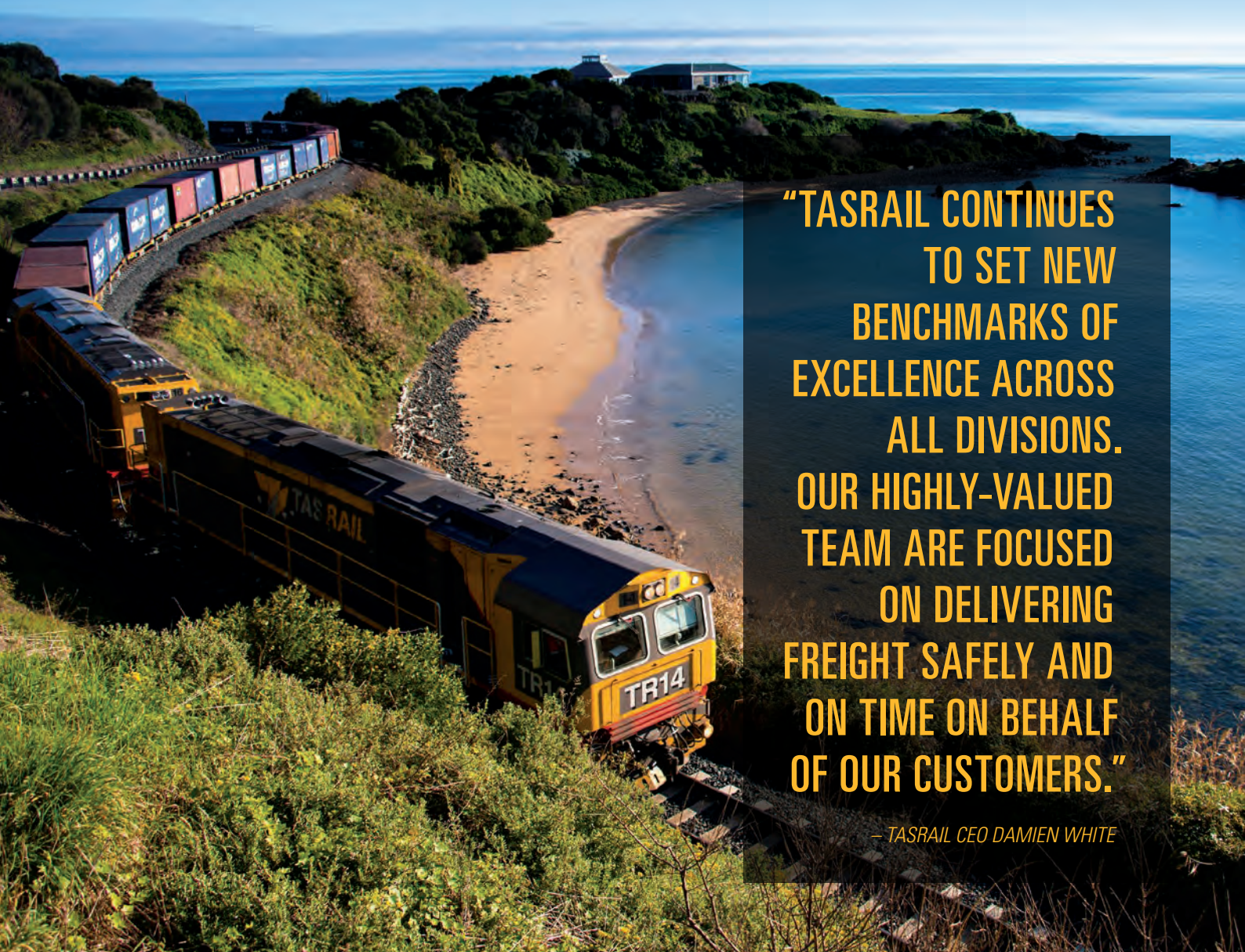
NO
TASRAIL EMPLOYEE
WAS INVOLVED IN A
LOST TIME
INJURY EVENT 

ABOVE RAIL NET PROFIT/LOSS:
 **42%**
AHEAD OF TARGET

DECLARATION OF
SAFETYCIRCLE
INITIATIVE
FOCUSED ON
"GOING HOME SAFE
AND WELL TODAY" 

"TASRAIL CONTINUES TO SET NEW BENCHMARKS OF EXCELLENCE ACROSS ALL DIVISIONS. OUR HIGHLY-VALUED TEAM ARE FOCUSED ON DELIVERING FREIGHT SAFELY AND ON TIME ON BEHALF OF OUR CUSTOMERS."

— TASRAIL CEO DAMIEN WHITE



OUR PEOPLE



From left to right: Nick Shackleton, Damien White, Kyung Boo, Robbie Box, Marko Stepanovic

As part of TasRail’s ongoing commitment to its team, the TasRail People Strategy 2016-18 was released and implemented. This strategy is focused on the key challenge of improving employee engagement and moving the organisation and its workforce from a more traditional organisational profile, to one that can be considered high performance.

This ‘People First’ principle is centred on the belief that employee engagement is integral to driving success.

As a consequence, TasRail’s strategic human resource priority is “People First”. Engagement is about a sense of belonging, an alignment to the organisation’s values leading to commitment, discretionary effort and enhanced performance.

This commitment to People, Culture and Capability will be fulfilled by the achievement of three primary Strategic Outcomes which are:

TRANSITION THE WORKFORCE

ensuring every employee understands their individual responsibilities in helping grow the business through meeting and exceeding customer expectations

OPTIMISE PERFORMANCE AND PRODUCTIVITY

aligning operations with market needs and expectations through continuous improvement, engaging, consulting and collaborating with the workforce and making best use of their expertise and skills base

MANAGE AND DEVELOP CAPABILITY

retain, source and strengthen workforce capability in order to develop high performance teams to support long term business sustainability and strategically manage key talent to drive high performance, lead change and deliver competitive advantage

The People Strategy’s three critical imperatives identified are leadership effectiveness; aligned engagement; and continuous learning and development.

TasRail recognises the importance of supporting and equipping leaders at all levels to motivate and develop their employees to meet departmental and corporate goals, and to achieve their potential, and it has invested in quality leadership programs to achieve this outcome.

TasRail also acknowledges the value of continuing to attract and retain exceptional employees in all areas which is fundamental to TasRail’s success as a leading freight logistics supplier for Tasmania.

OUR WORKFORCE

TasRail has been working proactively with its team to focus on employee engagement and leader empowerment in a bid to boost employee job satisfaction and TasRail's capacity to achieve success.

A follow-up employee engagement survey was completed in April 2017 following the first survey two years prior, and an 84 per cent response rate was achieved. TasRail showed marked improvement from an employees' perspective in its commitment to high levels of occupational health and safety, its commitment to best practice in our industry and ensuring chosen values and behaviours are demonstrated every day in my work team.

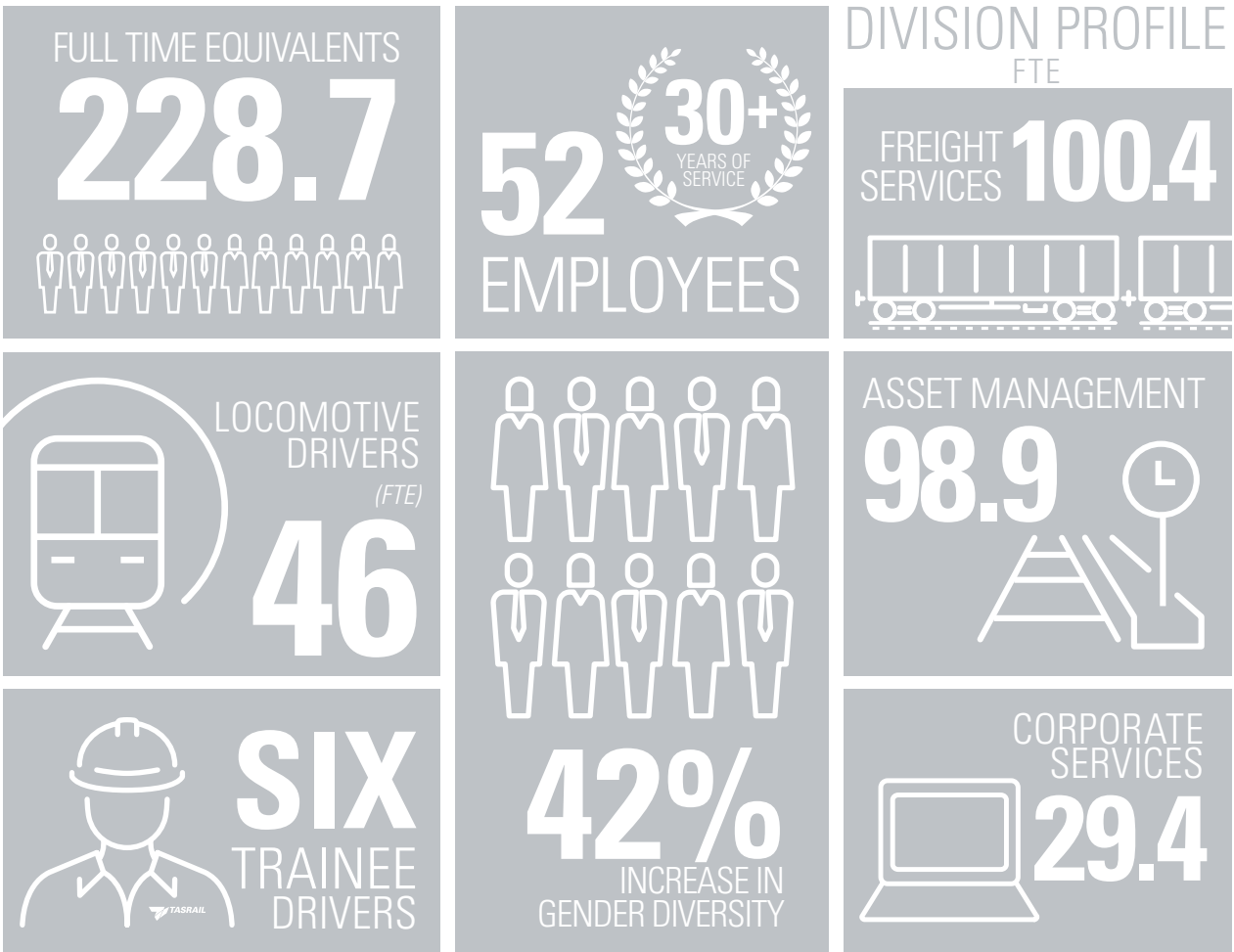
TasRail has also focused on improving gender diversity with a 42 per cent increase in the number of females employed in 2016/17 compared to the previous financial year.

The largest number of trainee drivers since TasRail commenced in 2009 was appointed in 2016/17. Six trainee drivers – Andrew English, Chris Walker and Nick Shackleton (Brighton); Josh Barnett and Tom Hudson (East Tamar); and Ron Grave (Burnie) – were appointed in early 2017 in a bid to secure driver numbers to meet future business growth projections and to replace drivers planning to retire.



From left to right: Adam Willis and Angela Jeffery

WORKFORCE SNAPSHOT 2016/17





Following in Dad's tracks: trainee driver Josh Barnett with his father Peter, one of TasRail's locomotive drivers

OUR BOARD



TasRail Board in June 2017 from left to right – Robert Annells, David George, Sarah Merridew, Stephen Cantwell and Samantha Hogg

TasRail has a skills-based Board of Non-Executive Directors led by Chairman Robert Annells. The Board in 2016/17 comprised:

ROBERT ANNELLS

Bob is the Chairman of the Melbourne Convention Centre and Exhibition Trust, and former Chair of VicTrack, Tourism Tasmania and Forestry Tasmania. He was previously Executive Chairman of Connex Melbourne and Chair of Veolia Australia and of two subsidiary companies, Connex Auckland and Mainco Melbourne, and served as a Director of the Tasmanian Development Board.

SARAH MERRIDEW

Sarah is an experienced Company Director and a former Partner of Deloitte Touche Tohmatsu. She is a Director of the Royal Flying Doctor Service Tasmania and recently retired as a Director of MyState. Sarah was previously a Director of TasWater, TasCorp and Tasmanian Perpetual Trustees. She is a chartered accountant and Fellow of the Australian Institute of Company Directors.

SAMANTHA HOGG

Samantha has extensive executive management experience in the resources and infrastructure sectors, as well as in Australian and international finance, marketing and strategic projects. Samantha was previously Chief Financial Officer of Transurban. She is a fellow of the Australian Institute of Company Directors, a Non-Executive Director of Hydro Tasmania and MaxiTrans Industries Limited and Chair of Tasmanian Irrigation.

STEPHEN CANTWELL

Stephen was appointed to the TasRail Board in December 2016. He was previously Executive General Manager Mineral Processing at Bradken and interim CEO of Queensland Rail where he worked for 33 years. Stephen is also a Fellow of the Chartered Institute of Transport and Logistics, a Fellow of the Centre for Integrated Engineering Management, and a Graduate Member of the Australian Institute of Company Directors.

RETIRED DIRECTORS

The TasRail Board thanks the following Directors for their much-appreciated contribution:

Robert Neil

Bob joined the TasRail Board in November 2009 and retired from the Board in November 2016.

David George

David joined the TasRail Board in May 2011 and retired from the Board in June 2017.

NEW DIRECTORS

The TasRail Board welcomes the following Directors:

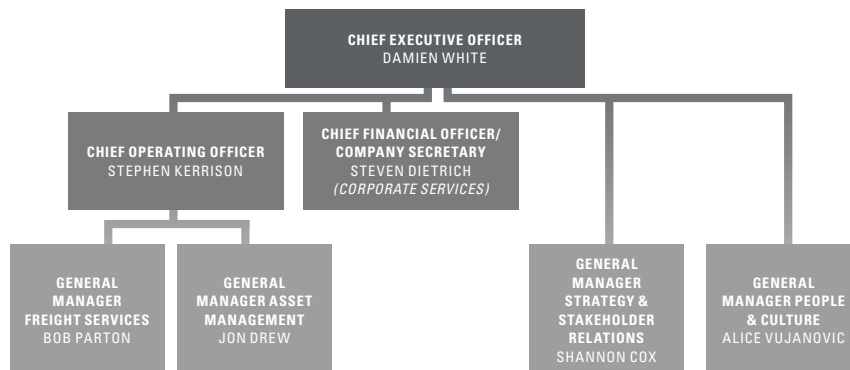
Janine Healey

Janine joined the TasRail Board on July 1, 2017.

Ian Dobbs

Ian joined the TasRail Board on July 1, 2017.

OUR EXECUTIVE TEAM



<p>DAMIEN WHITE Chief Executive Officer (CEO)</p>	<p>STEPHEN KERRISON Chief Operating Officer (COO)</p>	<p>STEVEN DIETRICH Chief Financial Officer (CFO) and Company Secretary</p>	<p>BOB PARTON General Manager Freight Services (GMFS)</p>	<p>JON DREW General Manager Asset Management (GMAM)</p>	<p>SHANNON COX General Manager Strategy and Stakeholder Relations</p>	<p>ALICE VUJANOVIC General Manager People and Culture</p>
--------------------------------------------------------------	------------------------------------------------------------------	---------------------------------------------------------------------------------------	----------------------------------------------------------------------	--------------------------------------------------------------------	----------------------------------------------------------------------------------	----------------------------------------------------------------------

<p>FREIGHT SERVICES</p> <p>Our Freight Services team provides safe, reliable and sustainable rail freight and logistics services, and operates TasRail's terminals. Freight Services is also responsible for operating the rollingstock fleet and managing safe and authorised access to the network.</p>	<p>ASSET MANAGEMENT</p> <p>Our Asset Management team focuses on upgrading and maintaining the rail network and all associated infrastructure, such as level crossings, bridges and tunnels. Asset Management is also responsible for the maintenance and servicing of the rollingstock fleet.</p>	<p>CORPORATE SERVICES</p> <p>Our Corporate Services team is responsible for financial reporting, auditing, accounts receivable/payable, procurement, IT management, land and property management, business development, customer account management, facilities management, Board administration and business performance modelling.</p>	<p>STRATEGY AND STAKEHOLDER RELATIONS</p> <p>Our Strategy and Stakeholder Relations team works with all TasRail departments to facilitate the communication of key messages to all internal and external stakeholders, including employees, customers, community, government, industry, media and other key stakeholders. The team also focuses on managing corporate risk and developing corporate strategy.</p>	<p>PEOPLE AND CULTURE</p> <p>Our People and Culture team is focused on engaging our people to build a values-based culture and grow capability through inclusion, diversity and collaboration. The team manages and implements human resource policy, remuneration and reward, industrial relations, training and development and performance management.</p>

OUR SAFETY



The TasRail team has been extremely focused during the 2016/17 financial year in a bid to further improve on the safety achievements recorded in recent years.

There has been a renewed focus on:

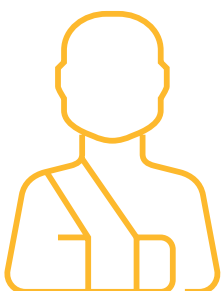
- Injury prevention;
- Safety culture and leadership;
- Hazard identification and risk control;
- Providing a safe workplace;
- Integration of environment management guided by the Environmental Management System; and
- Having simple and effective systems to support safety, health and environment exposures.

TasRail recognises the effectiveness of any safety strategy is linked to having a fully engaged and positive safety culture at all levels within the business.

The introduction of the SafetyCircle program has been a crucial and successful step in the journey towards zero harm.

Reducing TasRail's injury rates is a key objective as TasRail believes all employees and contractors have the right to be free from injury and harm. The goal is not just to eliminate Lost Time Injuries but any injury that requires medical treatment or re-allocation to alternative duties for all employees, contractors and visitors.

Through national initiatives, such as R U OK? Day and Rail Safety Week, TasRail has played an important role in communicating key safety messages to both employees and the wider community. As a result, there has been a significant reduction in the number of incidents at level crossings and trespass in rail corridor. However, there was a slight increase in vandalism incidents.



“SINCE THE COMPLETION OF SAFETYCIRCLE TRAINING IN JULY 2017, TASRAIL EMPLOYEES HAVE PROACTIVELY IDENTIFIED AND ADDRESSED SAFETY RISKS TO ENSURE THEY GO HOME SAFE AND WELL EACH DAY.”

COMMUNITY-BASED SAFETY INCIDENTS



	2014/15	2015/16	2016/17
Level crossing failure to stop or give way	94	123	76



	2014/15	2015/16	2016/17
Level crossing collisions	1	1	1



	2014/15	2015/16	2016/17
Trespass	85	67	43



	2014/15	2015/16	2016/17
Vandalism and theft	48	52	55

TasRail has also been proactively working with farmers, landowners and trackside residents to address community concerns, as well as issues that affect TasRail operations:



	2014/15	2015/16	2016/17
Train horn complaints	88	35	20



	2014/15	2015/16	2016/17
Livestock in rail corridor	95	86	64



	2014/15	2015/16	2016/7
Animal collisions with trains	40	32	10

TasRail recorded one mainline derailment on June 29 in the Devonport yard. There were no injuries and no damage to freight as a result of this incident.



SafetyCircle®

- ✓ HOME SAFE AND WELL TODAY
- ✓ AVOID THE PAIN. USE YOUR BRAIN
- ✓ STOP. THINK. CHOOSE. ACT
- ✓ STAY SWITCHED ON
- ✓ WORK SAFE – ENJOY LIFE

One of TasRail's key safety initiatives for 2016/17 was the induction of all TasRail employees to SafetyCircle, a powerful workplace cultural change program that is underpinned by straightforward language and ideas. SafetyCircle builds a positive safety culture by empowering each employee and leader to make their workplace healthy and safe.

SafetyCircle encourages employees to:

- Maintain a high standard of work organisation;
- Control and/or report unsafe work conditions;
- Look after tools and equipment;
- Follow policies, procedures and rules;
- Speak up;
- Interrupt unsafe and unhealthy acts; and
- Be grateful for interruptions about health and safety concerns.

While one contractor working on a TasRail site did record an LTI injury during this period, it is heartening that TasRail contractors are now also introducing SafetyCircle to their workplaces.



ABOVE RAIL

Above Rail is the commercial arm of TasRail that provides safe, reliable and sustainable rail freight and logistics services to the market. Operations include freight terminals, bulk handling, storage and shiploading facilities and train services. The Above Rail business is also responsible for operating the rollingstock fleet and to manage safe and authorised access to the network.

In meeting the expectations of our customers, TasRail is committed to:

- Providing freight handling and delivery services that are reliable, safe, efficient and price competitive;
- Building strong business partnerships with our customers by understanding and meeting their needs and by providing responsive customer service and attention to detail; and
- Delivering a social and environmental dividend to our customers and the community by facilitating a reduction in transport related emissions and heavy vehicle movements across the state's road network.

Through the combination of new assets and improved rail infrastructure, as well as new innovations, TasRail has been able to improve the competitiveness and profitability of its Above Rail services.

Moderate freight growth was recorded in this financial year in the haulage of containers, mineral concentrates, cement and other freight.

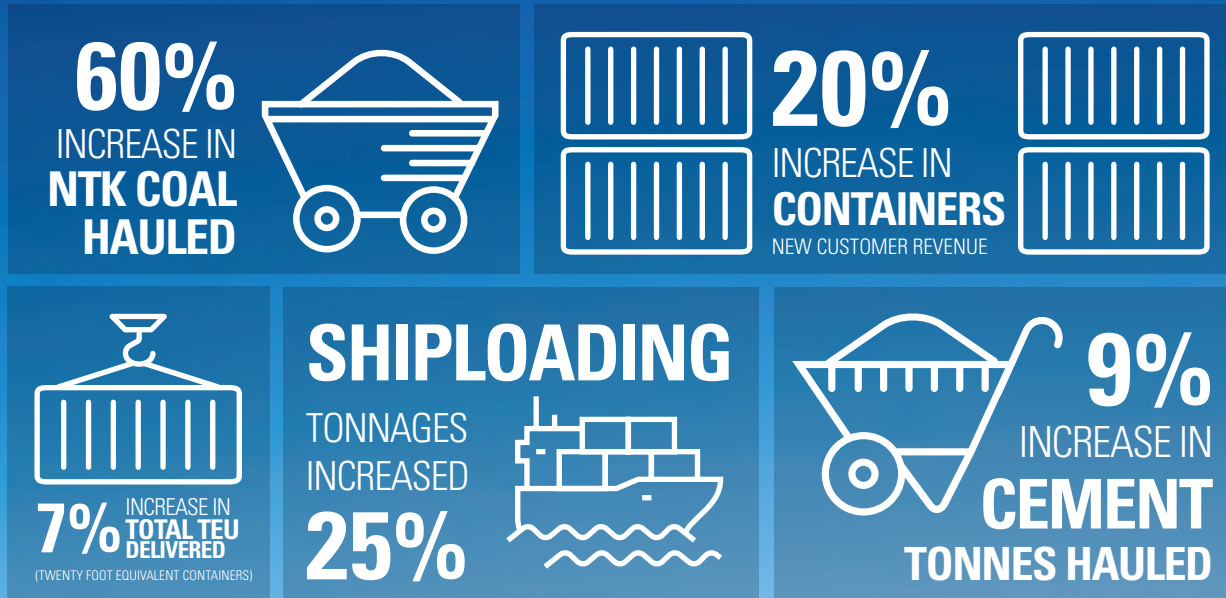
TOTAL FREIGHT TASK 2016/17 COMPARED TO 2015/16 AND BY ROUTE

Segment	2015/16	2016/17	% change year on year	Route
	NTK	NTK		
Coal	28,001,167	44,863,564	60%	Fingal-Boyer and Fingal-Railton
Cement	25,743,097	28,136,132	9%	Railton-Devonport
Mineral concentrates	22,434,584	22,923,272	2%	Primrose-Burnie
Bauxite	5,205,395	-	-100%	Conara-Bell Bay
Logs	18,810,476	19,285,427	2.5%	Brighton-George Town
Intermodal general	220,180,774	229,820,283	4%	Brighton-Devonport-Burnie-Launceston-George Town-Brighton
Intermodal paper	122,470,351	127,867,540	4%	Boyer-Burnie
Total	442,845,844	472,896,217	7%	



THE INTRODUCTION OF THE HAULAGE OF COAL FROM FINGAL TO BOYER, WHICH HAD BEEN SUSPENDED IN 2009, IS A HUGE SIGN OF CONFIDENCE IN TASMANIA'S RAIL NETWORK.

ABOVE RAIL SNAPSHOT (COMPARING 2016/17 TO 2015/16)



"TASRAIL RECOGNISES ITS CUSTOMERS, ALONG WITH OUR EMPLOYEES, ARE THE LIFEBLOOD OF THE COMPANY'S FUTURE SUCCESS AS A MAJOR FREIGHT LOGISTICS ENTERPRISE."

ROLLINGSTOCK ASSET UTILISATION

TasRail did not purchase any new locomotives or wagons during the 2016/17 financial year. However, due to increased freight demands, the TasRail team worked hard to recommission one locomotive and 39 wagons that were introduced back into the fleet.

The additional locomotive, a DQ class, was reinstated on the Melba Line to optimise new freight scheduling. Previously, 20 wagons were hauled six days a week. With the additional locomotive, 26 wagons could be hauled four days a week, achieving significant cost savings and efficiencies.

The additional rollingstock enabled TasRail to efficiently and effectively manage the 7 per cent increase in customers' total Net Tonne Kilometres (NTK) railed and ensure optimisation of rollingstock assets.

2015/16	24 locos	18,451,910 NTK per locomotive
2016/17	25 locos	19,201,848 NTK per locomotive
2015/16	267 wagons	1,658,599 NTK per wagon
2016/17	306 wagons	1,568,778 NTK per wagon

SHIPLOADER VOLUMES

TasRail recorded a 25 per cent increase in shiploader volumes in 2016/17 compared to the previous financial year. The number of tonnes of concentrate materials loaded onto ships through the Burnie shiploader grew as a result of higher tonnages of concentrate hauled from the West Coast and a unique opportunity from customers to store and move other concentrates.



BELOW RAIL

TasRail's Below Rail business is responsible for the upgrade, maintenance and operation of the rail network and the entire supporting infrastructure, including bridges, culverts, tunnels, formation, level crossings and network inspections. Below Rail also manages the Infrastructure Investment Program jointly funded by State and Federal Government.

Like the State's road network, rail infrastructure will always require funding to ensure ongoing maintenance and upgrades.

Valued at \$119.6 million, Tranche One of the Tasmanian Freight Rail Revitalisation Program continued to be rolled out in 2016/17 with an ongoing focus on key works that further improve the safety and reliability of Tasmania's Rail Network.

Principal projects in the reporting period included repairs and strengthening of bridges, level crossing upgrades, track works and joint welding.

TasRail maintains the operational network in accordance with Track Engineering Standards that are consistent with industry best practice and in the context of TasRail's business needs. This includes the physical inspection of the infrastructure every 96 hours to identify any non-compliance with the Standard and to detect and mitigate derailment risk.

Ultrasonic testing is utilised to detect rail defects. Short pulse waves are sent through the track to detect the health of the line and to identify the presence of any flaws. The use of digital track geometry trolleys has enhanced the effectiveness of track inspections by providing more consistent and accurate data.

Further improvements in assessing network condition and predicting rail breaks are expected through an innovative collaborative Sens-T program with the University of Tasmania. Sens-T is focused on predicting rail breaks using machine learning.

TasRail has also been working to procure its own track geometry measuring system to replace the current contracted service and provide more regular and frequent information on the condition of the track.

TasRail would like to recognise the work by Vernon Hawes and the TasRail track inspecting team who have had an outstanding year, particularly in relation to the reduction in derailments related to geometry defects.

TasRail has also recorded an improvement in asset reliability due to:

- Reduction in Temporary Speed Restrictions from 17 per cent to 12 per cent across entire network due to improved maintenance and asset renewals; and
- Innovation in level crossing security systems to improve reliability of level crossing assets.

TAMPING

Track resurfacing is the process of lifting and lining the track with special machines to restore the correct track geometry. The specialist work is carried out as part of major renewal projects or as part of the regular maintenance cycle. A ballast tamper, or track resurfacing machine, picks up and resurfaces the track by packing the ballast around the sleepers.

This ensures the track is aligned correctly, providing a more solid foundation for the track and a smoother ride.

Recent efforts by the resurfacing crew to improve both reliability and performance of tamping machine TT7 has resulted in a significant increase in productivity, more efficient fueling, ease of repairs and reduced downtime.

The total distance tamped by TasRail in 2016/17 was 161 kilometres plus a further 66 kilometres under IIP.

Tamping is fundamental to maintaining good track condition so TasRail can continue to provide safe, reliable and competitive freight services.

FLOODS

The June 2016 floods had an immense impact on TasRail's freight operations, with a number of bridges and lines impacted by flood debris. Rail infrastructure was damaged at 65 locations around the State, with the most significant damage recorded to the Kimberley Rail Bridge. One span and the western embankment washed away in surging flood waters, severing the critically important rail link between the major ports of Burnie and Devonport and the rest of the rail network.

TasRail Chairman Bob Annells described the work of the TasRail team in protecting the interests of customers during the aftermath of the floods and in restoring the damaged rail networks as "nothing short of inspiring".

"It's not the first time TasRail employees have demonstrated an extraordinary capacity to deal with a crisis," Mr Annells said.

"The recent floods – said to be the worst in 90 years – put that level of resilience to the test."

"I'm proud to say the organisation's response has been fantastic."

TasRail was also delighted to report that there were no serious injury incidents involving employees or contractors during and after the flood, despite the cold and wet conditions and challenging tasks undertaken.

BELOW RAIL

TRACK/INFRASTRUCTURE IRREGULARITIES



BUCKLES/ MISALIGNMENTS

2015/16	44
2016/17	7



BROKEN RAIL (RUNNING LINE)

2015/16	13
2016/17	16



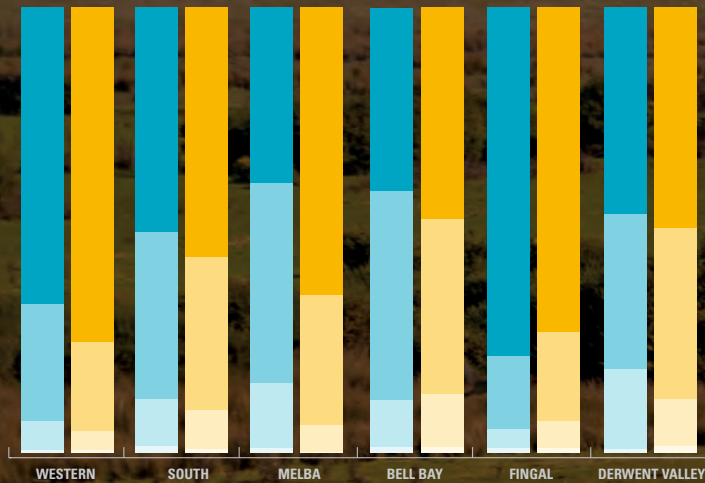
BROKEN RAIL (YARD)

2015/16	2
2016/17	1

TRACK QUALITY INDEX

As a result of the Melba Line capital works in 2016/17, there has been a dramatic improvement in track quality.

2015/16 | %GOOD %FAIR %POOR %VERY POOR
2016/17 | %GOOD %FAIR %POOR %VERY POOR





“TASRAIL IS COMMITTED TO ENVIRONMENTAL, SOCIAL AND ECONOMIC EXCELLENCE.”

OUR INFRASTRUCTURE INVESTMENT PROGRAM

SOME OF THE KEY IIP PROJECTS COMPLETED IN THE 2016/17 FINANCIAL YEAR INCLUDE:

- ✓ Track works and joint welding on the Melba Line
- ✓ Strengthening repairs to heritage-listed Longford Bridge
- ✓ Painting and repairs to Clarendon Bridge
- ✓ Critical level crossing upgrades

Tasmanian Freight Rail Revitalisation Program

The Infrastructure Investment Program (IIP) is jointly-funded by the Tasmanian and Federal Governments to rejuvenate the operational freight rail network in Tasmania.

This investment in rail infrastructure recognises the integral role rail plays in the State's freight transport system.

The funding is largely directed to maintaining the safety and reliability of the network and has predominantly been allocated to the major freight corridors of the South Line, the Western Line and the Melba Line.

Provision has also been made for selected re-sleeping and re-railing on the Fingal Line and the Bell Bay Lines, as well as priority sections of the operational Derwent Valley Line to Boyer.

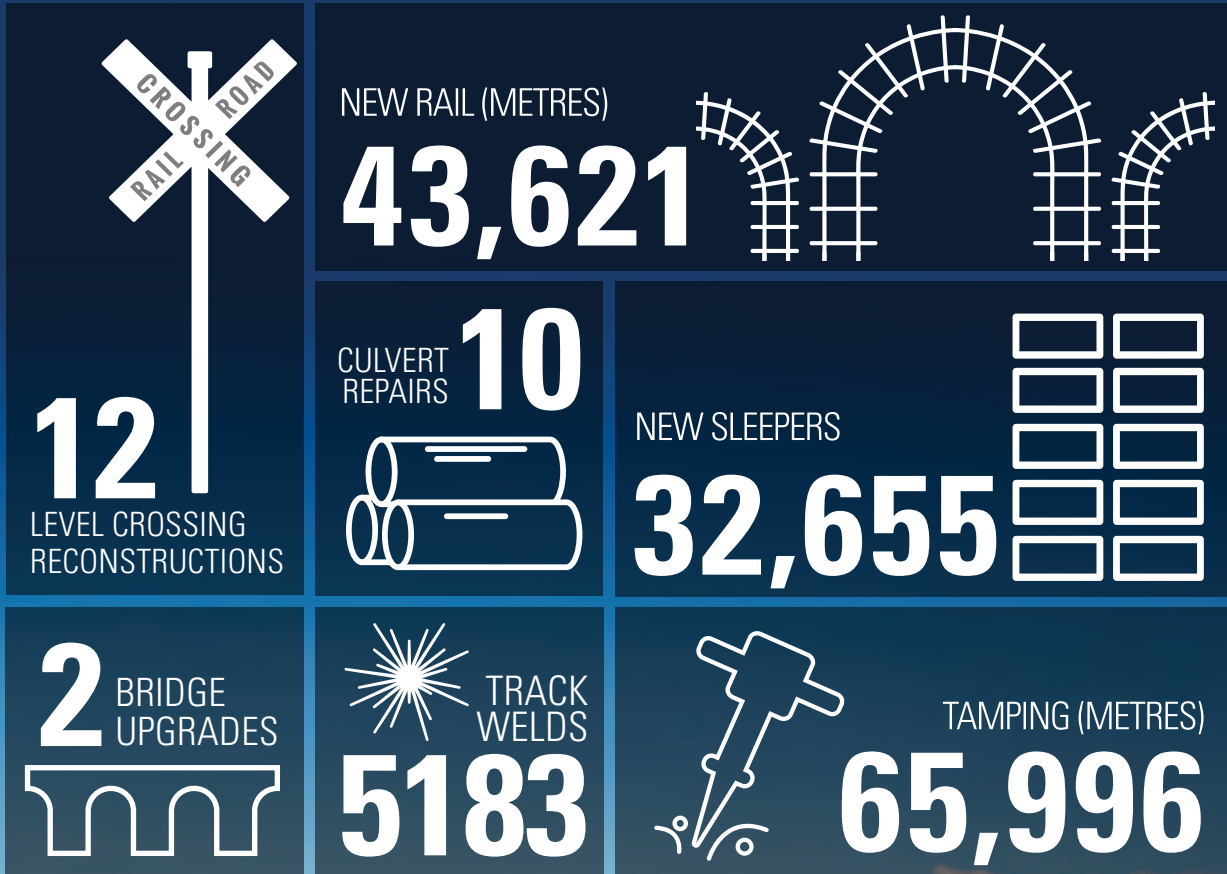
TasRail has a proven record delivering multiple and complex projects on time and on budget. In the first two years of the program, TasRail's IIP Management team has committed expenditure of \$84.96 million.

A total of 19 contracts were awarded to predominantly Tasmanian companies as part of TasRail's 'Buy Local Policy'. These contracts included major works on track, level crossings, bridges, rail defects, joint welding and track monitoring equipment.

This investment enables TasRail to address decades of deferred capital renewal and maintenance activity. The TasRail team is proud to be managing the upgrade of this vital infrastructure for all Tasmanians.



INFRASTRUCTURE INVESTMENT PROGRAM ACTIVITY IN 2016/17



“THE INVESTMENT BY THE STATE AND FEDERAL GOVERNMENTS INTO TASMANIA’S RAIL INFRASTRUCTURE WILL ASSIST IN MEETING TARGETS FOR THE SAFE AND TIMELY DELIVERY OF FREIGHT ON BEHALF OF OUR HIGHLY VALUED CUSTOMERS.”



CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE FRAMEWORK

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

Principle 1 – Lay solid foundations for management and oversight:

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

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

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

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

Principle 2 – Structure the Board to add value:

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

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

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

Principle 3 – Act ethically and responsibly:

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

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

Principle 4 – Safeguard integrity in corporate reporting:

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

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

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

TasRail’s Annual Reports are provided to Shareholders by the end of October each year. The Reports are tabled in each House of the Tasmanian Parliament and are subject to the scrutiny of all Members of Parliament and the community.

Principle 5 – Make timely and balanced disclosure:

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

Details about disclosures made under the *Right to Information Act 2009*; the *Public Interest Disclosures Act 2002*; and the *Personal Information Protection Act 2004* are set out on page 26 and 27 of this document.

Principle 6 – Respect the rights of Shareholders:

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

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

Principle 7 – Recognise and manage risk:

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

TasRail's Risk Management Framework is approved and overseen by the Board. The Executive Team discuss and review emerging and actual risks in the Company's external and internal environment and use this analysis to make decisions and agree on risk mitigation plans. They report on risk and risk management to the Strategy and Risk Management Committee.

This Committee assists the Board to discharge its duties by reviewing and supplementing the reports provided by the Executive Team, monitoring the strength and reliability of the framework and reporting to the Board on the status of risk in the Company.

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

Principle 8 – Remunerate fairly and responsibly:

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

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

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

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



PUBLIC INTEREST DISCLOSURES

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

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

TasRail has adopted model procedures to be followed by Public Bodies in relation to Public Interest Disclosure (PID). These procedures establish a system for reporting disclosures of improper conduct or detrimental action by TasRail or members, officers or employees of the public body. They are also intended to assist TasRail's members, officers and employees to understand the way in which the *Public Interest Disclosures Act 2002* operates and is to be administered.

The procedures are designed to complement normal communication channels between supervisors and employees and have been prepared in accordance with Guidelines and Standards published by the Ombudsman under Section 38(1)(c) of the Act.

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

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

- a) TasRail's procedures under the Act are available at www.tasrail.com.au or email PD.Officer@tasrail.com.au. Alternatively you can write to:
Public Interest Disclosure Officer, TasRail,
PO Box 335, Kings Meadows, Tasmania 7249
- b) No disclosures were made to TasRail during the year and therefore TasRail has no Public Interest Disclosures to report.
- c) No Public Interest Disclosures were investigated by TasRail during the year.
- d) No disclosed matters were referred to TasRail during the year by the Ombudsman.
- e) No disclosed matters were referred by TasRail during the year to the Ombudsman to investigate.
- f) No investigations of disclosed matters were taken over by the Ombudsman from TasRail during the year.
- g) There were no disclosed matters that TasRail decided not to investigate during the year.
- h) There were no disclosed matters that were substantiated on investigation as there were no disclosed matters.
- i) The Ombudsman made no recommendations under the Act that relate to TasRail.

RIGHT TO INFORMATION

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

During 2016/17, TasRail received a total of three applications for Assessed Disclosure. Two applications were accepted for decision, with information provided in full in one determination, and in part for the other. One application was refused following a determination that the request would substantially and unreasonably divert resources as per Section 19 of the Act. In this instance, the applicant was invited to redefine the search scope, but declined the opportunity to do so.

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

PERSONAL INFORMATION PROTECTION

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

Procedures that define the way TasRail collects, stores, handles, uses and discloses information are published on TasRail's website at www.tasrail.com.au

No reports were made under this regime for the 2016/17 reporting period.

BUY LOCAL

TasRail complies with the Tasmanian Government's Buy Local Policy for its procurement processes, including the requirement to provide transparency about procurement outcomes.

A Tasmanian business is defined as a business operating in Tasmania, which has a permanent office or presence in Tasmania and employs Tasmanian workers. TasRail endeavours to support many local businesses, but is effectively only able to identify a business as being

Tasmanian if the invoice payment and/or the Australian Business Number (ABN) is registered to an address within the State.

Purchases are defined to include operating expenses together with capital expenditure. The above excludes employment and finance expenses and depreciation.

PURCHASES FROM TASMANIAN BUSINESSES

Buy Local Performance	2016/17
Percentage of purchases from Tasmanian businesses	58%
Value of purchases from Tasmanian businesses	\$50,197,940

As part of TasRail's Buy Local Policy, a 10 per cent increase in purchases from Tasmanian business from 48 per cent to 58 per cent was recorded in 2016/17 compared to the previous financial year.

This represents an increase in value of 67 per cent from approximately \$30.03 million to \$50.2 million.

PAYMENT OF ACCOUNTS

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

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

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

Accounts due or paid within 2016/17	
Creditor Days	22
Number of accounts due for payment	11,347
Number of accounts paid on time	11,347
Amount due for payment	\$85,665,948
Amount paid on time	\$85,665,948
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts (including late fees)	\$ 0

CONTRACTORS

There were a number of contracts let in 2015/16 and some of that commitment carried to this financial year. Additionally, TasRail has awarded contracts in the 2016/17 year that have commitment values into the next financial year.

The Kimberley Bridge repairs were an emergency procurement, hence the contract was awarded based

on available resources and expertise. The principles of the Buy Local Policy were applied in the absence of a tender process (due to the tight time frame) and the contract was awarded to a Tasmanian-based firm.

Individual contracts awarded in 2016/17 were as follows:

Values over \$5 million

Contract/works package	Procurement method	Buy local policy applied	Successful tenderer	State
Manufacture and delivery of rail and steel sleepers	Select tender	Yes	OneSteel Manufacturing	South Australia
South and Derwent Valley Line track works	Open tender	Yes	VEC Civil Engineering Pty Ltd	Tasmania

Values over \$2 million but less than \$5 million

Contract/works package	Procurement method	Buy local policy applied	Successful tenderer	State
Flood repair of Kimberley Bridge	Single source	No	VEC Civil Engineering Pty Ltd	Tasmania

CONSULTANTS

The guideline defines a Consultant as a particular type of contractor who is engaged to provide recommendations or specialist or professional advice to an entity. A Contractor is defined as an individual or organisation engaged under a contract (other than as an employee) to provide goods and or services to an entity. The following consultancies were valued at more than \$50,000 (excluding GST):

Name of consultant	Location	Description	Period of engagement	Amount (\$)
Pitt & Sherry	TAS	Engineering advice - wheel lathe, flood event & bridges	Jul 16 - Jun 17	597,465
Impact Solutions	TAS	Leadership & training services	Sep 16 - Jun 17	261,117
GHD Pty Ltd	TAS	Remediation design, site investigation & assessment	Jul 16 - Jun 17	242,792
Alexandrides Engineering	SA	Engineering & project management services	Aug 16 - Jun 17	162,434
Timmins Ray	TAS	Professional services	Jul 16 - Jun 17	146,714
PJ Connections	TAS	Contractor management review	Sep 16 - Jun 17	135,036
Interface Rail	VIC	Project management services - flood event	Jul 16 - Sep 16	128,411
Serve-Ag	TAS	Agronomic advice	Jul 16 - Jun 17	116,140
Excellent Outcomes	TAS	Business improvement & leadership development services	Jul 16 - Jun 17	102,636
IPM Safety	TAS	Safety training program, specialist SHE services & advice	Jul 16 - May 17	72,211
PDA Surveyors	TAS	Surveying, engineering & planning services	Jul 16 - Jun 17	64,321
Sub total				2,029,277
There were 29 consultants engaged for \$50,000 or less totalling				354,861
Total payments to consultants for 2016/17				2,384,138



TasRail track re-surfacing crew: from left John Duffy, Marko Stepanovic, Ian Hunter and Gang Leader Darren Hawkins



11 Techno Park Drive
P O Box 335
Kings Meadows Tasmania 7249
T 1300 TASRAIL
F 03 6335 2636
www.tasrail.com.au

Hon. Rene Hidding MP
Minister for Infrastructure
Member, Tasmanian Railway Pty Ltd
Level 5, 4 Salamanca Place
HOBART TAS 7000

Hon. Peter Gutwein MP
Treasurer
Member, Tasmanian Railway Pty Ltd
Level 9 Executive Buildings
HOBART TAS 7000

Dear Shareholder Members

TASRAIL ANNUAL REPORT 2016/17

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

In accordance with Section 22 (1) (b) of the *Rail Company Act 2009* I hereby submit for your information and presentation to the Parliament, the Annual Report of Tasmanian Railway Pty Ltd covering the period 1 July 2016 to 30 June 2017.

Signed in accordance with a resolution of Directors.

Yours sincerely

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

Bob Annells PSM
Chairman

October 1, 2017



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30 JUNE 17

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DIRECTOR'S REPORT

The Directors present their report together with the financial report of Tasmanian Railway Pty Ltd ("the Company") for the financial year ended 30 June 2017 and the Independent Auditor's Report thereon.

1. DIRECTORS

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

Name and independence status	Special responsibilities and other directorships
<p>Mr Robert Annells PSM Independent Non-Executive Director, Chairman <i>Appointed 23 November 2009</i> <i>Re-Appointed 1 December 2015</i></p>	<p>Chairman, Governance and Remuneration Committee Chairman, Melbourne Convention Centre & Exhibition Trust</p>
<p>Mr Robert Neil Independent Non-Executive Director <i>Appointed 4 November 2009</i> <i>Re-Appointed 1 December 2015</i> <i>Resigned 30 November 2016</i></p>	<p>Chairman, Strategy and Risk Management Committee Member, Finance, Audit and Compliance Committee Member, Governance and Remuneration Committee Director, Neil Consulting Pty Ltd</p>
<p>Mrs Sarah Merridew Independent Non-Executive Director <i>Appointed 17 December 2009</i> <i>Re-Appointed 1 December 2015</i></p>	<p>Chairman, Finance, Audit and Compliance Committee Member, Strategy and Risk Management Committee Member, Governance and Remuneration Committee Director, Royal Flying Doctor Services Tasmania</p>
<p>Mr David George Independent Non-Executive Director <i>Appointed 26 May 2011</i> <i>Re-Appointed 1 December 2015</i> <i>Resigned 30 June 2017</i></p>	<p>Chairman, Safety and Environment Committee Member, Governance and Remuneration Committee Director, Rail Industry Safety and Standards Board (RISSB)</p>
<p>Mrs Samantha Hogg Independent Non-Executive Director <i>Appointed 10 August 2015</i></p>	<p>Chairman, Strategy and Risk Management Committee Member, Finance, Audit and Compliance Committee Member, Governance and Remuneration Committee Director, Hydro Tasmania Director, MaxiTRANS Chair, Tasmanian Irrigation</p>
<p>Mr Stephen Cantwell Independent Non-Executive Director <i>Appointed 1 December 2016</i></p>	<p>Chairman, Safety and Environment Committee Member, Finance, Audit and Compliance Committee Member, Governance and Remuneration Committee Director, Port of Brisbane Pty Ltd Director, Queensland Rail Pty Ltd (QR)</p>
<p>Mrs Janine Healey Independent Non-Executive Director <i>Appointed 1 July 2017</i></p>	<p>Member & Treasurer, Launceston Chamber of Commerce Member of State Divisional Council, Member of the National Reporting Committee & President Elect, Australian Institute of Company Directors</p>
<p>Mr Ian Dobbs Independent Non-Executive Director <i>Appointed 1 July 2017</i></p>	<p>Chairman, International Association of Public Transport (UITP) ANZ Non-Executive Director, Network Rail Consulting in London Chair and Non-Executive Director, Network Rail Consulting Australia and New Zealand Member, Advisory Board, Cubic Transportation Services</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 2017 are:

DIRECTOR	MEETINGS OF COMMITTEES									
	Board		Audit		Strategy		Governance		Safety	
	A	H	A	H	A	H	A	H	A	H
Robert Annells PSM (Chair)	7	8	-	-	-	-	3	3	-	-
Robert Neil	3	3	1	1	1	1	2	2	-	-
Sarah Merridew	7	8	5	5	3	3	2	3	2	2
David George	8	8	-	-	-	-	3	3	5	5
Samantha Hogg	8	8	5	5	4	4	3	3	-	-
Stephen Cantwell	5	5	4	4	-	-	1	1	4	4

Board - Full meetings of Directors

Audit - Finance Audit and Compliance Committee

Strategy - Strategy and Risk Management Committee

Governance - Governance and Remuneration Committee

Safety - Safety and Environment Committee

A - Number of meetings attended

H - Number of meetings held during the time the Director held office or was a member of the committee during the year

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

2. PRINCIPAL ACTIVITIES

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

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

3. OPERATING AND FINANCIAL REVIEW

Operating segments

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

BELOW RAIL

This segment relates to the management and operation of the Tasmanian rail network and related infrastructure, including all maintenance and capital programs. The railway is a narrow gauge railway built in the late 1800s and the current line still uses much of the original formation and alignment. The Tasmanian Rail Network consists of 611 kilometres of operational track and 232 kilometres of non-operational track.

ABOVE RAIL

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

Operating result

The net loss after tax before comprehensive income for the year ended 30 June 2017 was \$31,797,000 (2016: \$27,829,000) after grant income for capital works of \$21,526,000 (2016: \$9,260,000), an impairment expense of \$42,923,000 (2016: \$21,645,000) and depreciation and amortisation expense of \$8,938,000 (2016: \$8,161,000). This has been calculated in accordance with Australian Accounting Standards (AASBs).

The impairment loss in the current year relates to capital expenditure on the Below Rail infrastructure funded by the Australian and Tasmanian Governments. The infrastructure assets constructed are impaired as they do not generate sufficient revenue to sustain the Below Rail segment of the Company without recurrent Tasmanian Government contributions.

Under accounting standards and direction from the Tasmanian Treasurer, contributions to fund capital expenditure on infrastructure assets are recognised in the following manner:

- Australian Government contributions to fund infrastructure assets are recognised directly as equity, not as revenue and therefore do not offset the impairment loss.
- Tasmanian Government contributions are treated as revenue upon completion of the underlying works which partially offsets the impairment loss. This treatment of contributions to fund the purchase or construction of assets was introduced in the 2016 financial year and differs from years prior where all capital expenditure contributions from the Tasmanian Government were recognised directly to equity.

Segment results for the year were made up of the following, Below Rail net loss before income tax of \$29,419,000 (2016: net loss of \$21,798,000) after impairment, depreciation and amortisation expenses of \$46,541,000 (2016: \$24,853,000 for impairment and depreciation) and Above Rail net loss before income tax of \$2,299,000 (2016: net loss of \$5,882,000) after depreciation and amortisation expenses of \$5,320,000 (2016: \$4,953,000 for depreciation and amortisation expenses).

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

Further discussion of the Company's operating result and strategies are included 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 2017. If significant environmental liabilities are identified in the future, relating to the period prior to the commencement of the Company, the Company would require financial support from the Tasmanian Government to fund the remediation.

5. DIVIDENDS

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

6. EVENTS SUBSEQUENT TO REPORTING DATE

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

7. LIKELY DEVELOPMENTS

The Company is continuing to invest and upgrade critical rail infrastructure to ensure a sustainable rail service. The Tasmanian and Australian Governments have committed to provide a program of \$119,600,000 over the four years to 30 June 2019 to fund these capital works.

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 2016, the Company has paid insurance premiums in respect of insurance contracts for Directors' and officers' liability and legal expenses, for current Directors and officers, including senior executives of the Company.

The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a willful 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 2017.

11. ROUNDING OFF

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



Mr Robert Annells PSM

Chairman

Dated at Hobart this 1st day of August 2017

31 July 2017

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

Dear Board Members

Auditor's Independence Declaration

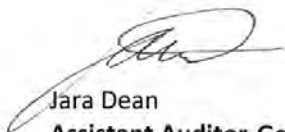
In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Tasmanian Railway Pty Ltd for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely



Jara Dean
Assistant Auditor-General Financial Audit
Delegate of the Auditor-General

TASMANIAN RAILWAY PTY LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 (\$'000)	2016 (\$'000)
CONTINUING OPERATIONS			
Revenue from freight services	A1	32,861	30,456
Grant income for operating activities	A1	11,966	11,992
Grant income for capital works	A1	21,526	9,260
Other income	A1	4,922	1,036
Finance income		343	202
Total income		71,618	52,946
<hr/>			
Employee benefits expense	C1	(26,798)	(27,048)
Depreciation and amortisation expense	B2, B3	(8,938)	(8,161)
Impairment expense	B2	(42,923)	(21,645)
Other expenses	A2	(24,677)	(23,704)
Finance expense		-	(68)
Loss from continuing operations		(31,718)	(27,680)
<hr/>			
Taxation equivalent benefit (expense)	A3	(79)	(149)
Loss for the year after tax before comprehensive income		(31,797)	(27,829)
<hr/>			
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge reserve	D2	(262)	(498)
Tax on items that may be reclassified subsequently to profit or loss	A3	79	149
<i>Total items that may be reclassified subsequently to profit or loss</i>		(183)	(349)
<hr/>			
Total comprehensive loss for the year		(31,980)	(28,178)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 (\$'000)	2016 (\$'000)
Assets			
Cash and cash equivalents		18,678	21,647
Trade and other receivables	B1	5,229	3,660
Inventories	B5	10,803	14,748
Assets classified as held for sale		512	512
Other assets - cash flow hedge		-	251
Total current assets		35,222	40,818
<hr/>			
Property, plant and equipment	B2	115,990	113,924
Intangibles	B3	4,467	6,132
Total non-current assets		120,457	120,056
Total assets		155,679	160,874
<hr/>			
Liabilities			
Trade and other payables	B4	6,645	9,024
Deferred grant income	B4	29,926	21,551
Employee benefits	C1	4,757	4,639
Total current liabilities		41,328	35,214
<hr/>			
Employee benefits	C1	1,400	1,129
Total non-current liabilities		1,400	1,129
Total liabilities		42,728	36,343
<hr/>			
Net assets		112,951	124,531
<hr/>			
Equity			
Share capital	D1	372,579	352,179
Reserves	D2	6,876	7,059
Accumulated losses		(266,504)	(234,707)
Total equity		112,951	124,531

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Share capital	Cash flow hedging reserve	Asset revaluation reserve	Accumulated losses	Total equity
		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
At 1 July 2015		320,929	524	6,884	(206,878)	121,459
Equity contributed	D1	31,250	-	-	-	31,250
Total comprehensive loss for the year		-	(349)	-	(27,829)	(28,178)
At 30 June 2016		352,179	175	6,884	(234,707)	124,531
At 1 July 2016		352,179	175	6,884	(234,707)	124,531
Equity contributed	D1	20,400	-	-	-	20,400
Total comprehensive loss for the year		-	(183)	-	(31,797)	(31,980)
At 30 June 2017		372,579	(8)	6,884	(266,504)	112,951

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

STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2017

	Note	2017 (\$'000)	2016 (\$'000)
Cash flows from operating activities			
Receipts from customers		39,458	36,744
Grants received for operating activities		11,966	11,992
Payments to suppliers and employees		(54,187)	(56,174)
Cash generated from operations		(2,763)	(7,438)
Interest received		343	202
Interest paid		-	(68)
Net cash from/(used in) operating activities	A4	(2,420)	(7,304)
Cash flows from investing activities			
Grants received for capital works		29,901	30,811
Purchase of property, plant and equipment		(50,988)	(30,198)
Proceeds from sale of plant and equipment		138	1
Net cash from/(used in) investing activities		(20,949)	614
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	(4,000)
Equity contributions	D1	20,400	31,250
Net cash provided by financing activities		20,400	27,250
Net increase/(decrease) in cash and cash equivalents		(2,969)	20,560
Cash and cash equivalents at start of period		21,647	1,087
Cash and cash equivalents at 30 June		18,678	21,647

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Corporate information

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

Basis of preparation

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

The financial statements were authorised for issue by the directors on 1 August 2017.

The financial statements are prepared on the historical costs basis, except for certain non-current assets, available for sale assets and financial instruments that are measured at revalued amounts or fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

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

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

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports).

Instrument 2016/191 and in accordance with that Class Order, amounts in the financial statements and Director's report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Key judgements and estimates

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

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

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

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

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. The Company engages qualified third-party valuers to perform the valuation.

The Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the valuation model.

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

- The need for the valuation to be determined in United States dollars;
- The assessment of useful life;
- The current market demand for the assets; and
- The location of potential markets for rollingstock.

Notes to the financial statements

The notes to the financial statements include information that is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Company.

Information is considered material and relevant if, for example:

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

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

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

Significant changes in the current reporting period

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

A - FINANCIAL PERFORMANCE

This section provides further information in respect to the financial performance of the Company for the year ended 30 June 2017. The focus is on operating segments, revenue, expenses and cashflow disclosures. Certain operational expenses such as impairments are disclosed in the notes with the associated operating asset or liability in Section B: 'Operating assets and liabilities'. Employee-related expenses are disclosed in Section C: 'People'.

A1 Revenue and other income

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

Operating revenue	2017 (\$'000)	2016 (\$'000)
Revenue from freight services	32,861	30,456
Grant income for operating activities		
Tasmanian Government	11,966	11,992
Grant income for capital works		
Tasmanian Government	21,461	9,215
Australian Government	65	45
	21,526	9,260
Other income		
Sundry	4,078	369
Property rental	706	667
Net gain (loss) on sale of property, plant and equipment	138	-
	4,922	1,036

RECOGNITION AND MEASUREMENT

Revenue from the provision of freight services

Revenue from freight services is recognised in proportion to the services rendered.

Government grants

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

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant.

Grants that compensate the Company for expenses incurred are recognised in profit or loss as income in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset unless they have been designated as an equity contribution by the Tasmanian State Treasurer. Where this occurs the funding is allocated directly to "Share Capital" and is reflected in the Statement of Changes in Equity.

A - FINANCIAL PERFORMANCE

A2 Expenses

Loss from continuing operations was calculated after charging the following:

Other expenses	2017 (\$'000)	2016 (\$'000)
Maintenance and consumables expense	(12,174)	(9,769)
Fuel expense	(3,110)	(2,852)
Property and lease expense	(2,290)	(2,751)
Administration expense	(3,612)	(3,312)
Other expenses	(3,491)	(5,020)
Total other expenses	(24,677)	(23,704)

RECOGNITION AND MEASUREMENT

Expenses

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

A3 Taxation

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

Tax equivalent expense	2017 (\$'000)	2016 (\$'000)
Adjustments for prior years	-	-
Deferred tax expense:		
Origination and reversal of temporary differences:		
Increase/(decrease) in deferred tax liability	62	(271)
Decrease/(increase) in deferred tax asset	(9,636)	(8,171)
Adjustments for prior years	55,834	(49,070)
Non-recognition of temporary differences and tax equivalent losses	(46,339)	57,363
Income tax (expense)/benefit attributable to profit/(loss) before other comprehensive income	(79)	(149)
Tax recognised in other comprehensive income		
Tax (expense) benefit relating to cash flow hedge reserve	79	149
Tax (expense) benefit relating to asset revaluation reserve	-	-
Total taxation equivalent expense/benefit	-	-
Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income rate		
Loss before tax	(31,718)	(27,680)
Income tax using the domestic corporation tax rate of 30%	(9,515)	(8,304)
Increase in income tax expense due to:		
Non-deductible expenses	20	11
	(9,495)	(8,293)
Add prior year under/(over) provision	55,834	(49,070)
Non-recognition of temporary differences and tax equivalent losses	(46,339)	57,363
Total taxation equivalent expense/benefit	-	-

A - FINANCIAL PERFORMANCE

A3 Taxation - continued

RECOGNITION AND MEASUREMENT

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

Current tax

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

Deferred tax

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

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

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017 (\$'000)	2016 (\$'000)
Deferred tax assets		
Employee benefits	1,953	1,843
Trade and other payables	62	90
Property, plant and equipment	47,819	94,068
Deferred grant income	8,977	6,465
Trade and other receivables	33	107
Carried forward tax losses - revenue losses	12,994	15,463
Carried forward tax losses - capital losses	518	518
Tax assets	72,356	118,554
De-recognised due to not being probable of recovery	(72,208)	(118,468)
Set-off against deferred tax liability	(148)	(86)
Net deferred tax asset	-	-
Deferred tax liabilities		
Inventory	61	86
Trade and other receivables	87	-
Tax liabilities	148	86
Set-off against deferred tax asset	(148)	(86)
Net deferred tax liability	-	-

A - FINANCIAL PERFORMANCE

A4 Cash flows

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

Cash flows from operating activities	2017 (\$'000)	2016 (\$'000)
Loss for the period	(31,798)	(27,829)
<i>Adjustments for:</i>		
Depreciation and amortisation	8,938	8,161
Impairment	42,923	21,645
Grant income for capital works	(21,525)	(9,260)
Tax expense/(benefit) relating to cash flow hedge reserve	79	149
Gain (loss) on disposal of property, plant and equipment	(138)	-
Operating profit before changes in working capital and provisions	(1,521)	(7,134)
- Adjustment for movement in payables related to investing activities	(1,275)	(2,762)
- Increase/(decrease) in payables	(2,390)	4,637
- Increase/(decrease) in employee benefits	389	1,003
- (Increase)/decrease in receivables	(1,568)	2,208
- (Increase)/decrease in inventories	3,945	(5,256)
Net cash flows from operating activities	(2,420)	(7,304)

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

A - FINANCIAL PERFORMANCE

A5 Operating segments

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

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

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

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

The Company has two reportable segments:

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

Below Rail - This segment relates to the management and operation of the rail network and related infrastructure in Tasmania.

Segment	Year ended 30 June 2017			Year ended 30 June 2016		
	Above rail (\$'000)	Below rail (\$'000)	Total (\$'000)	Above rail (\$'000)	Below rail (\$'000)	Total (\$'000)
External revenues	34,097	37,178	71,275	31,515	21,229	52,744
Inter-segment revenue	-	3,299	3,299	-	3,230	3,230
Interest revenue	127	216	343	75	127	202
Interest expense	-	-	-	(54)	(14)	(68)
Impairment	-	(42,923)	(42,923)	-	(21,645)	(21,645)
Depreciation and amortisation	(5,320)	(3,618)	(8,938)	(4,953)	(3,208)	(8,161)
Reportable segment profit/(loss) before income tax	(2,299)	(29,419)	(31,718)	(5,882)	(21,798)	(27,680)
Reportable segment assets	115,463	21,538	137,001	113,262	25,965	139,227
Add: cash and cash equivalents not allocable to segments			18,678			21,647
Total assets			155,679			160,874
Capital expenditure	3,605	48,655	52,260	9,867	23,095	32,962

Major customers

2017 (\$'000)

2016 (\$'000)

Revenue from three parties represent approximately 50.19% (2016: 59.5%) of freight services and other income as follows:

Party 1 (freight services - Above Rail)	7,793	7,314
Party 2 (freight services - Above Rail)	6,691	6,462
Party 3 (freight services - Above Rail)	5,085	4,586

Party 3 represents different customers in each year.

B - OPERATING ASSETS AND LIABILITIES

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

B1 Trade and other receivables

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

Trade and other receivables	2017 (\$'000)	2016 (\$'000)
Trade receivables	4,135	2,864
Sundry receivables	306	90
Prepayments	505	358
GST receivable	283	348
Total trade and other receivables	5,229	3,660

IMPAIRMENT

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.

RECOGNITION AND MEASUREMENT

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

The average credit period on freight services is 40.0 days (2016: 33.7 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.

Goods and Services Tax

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

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

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

B - OPERATING ASSETS AND LIABILITIES

B2 Property plant and equipment

The reconciliation of the opening and closing balances of property, plant and equipment at 30 June 2017 is as follows:

Gross carrying amount	Leasehold improvements (buildings) at cost (\$'000)	Infrastructure at cost (\$'000)	Plant equipment & motor vehicles at cost (\$'000)	Rollingstock (refurbished) at fair value (\$'000)	Rollingstock (new) at fair value (\$'000)	Capital projects work in progress (\$'000)	Total (\$'000)
Balance at 1 July 2015	9,241	168,727	13,408	1,794	88,762	11,115	293,047
Additions	762	21,645	3,893	318	8,947	32,962	68,527
Transfers out	-	-	-	-	-	(43,296)	(43,296)
Balance at 30 June 2016	10,003	190,372	17,301	2,112	97,709	781	318,278
Balance at 1 July 2016	10,003	190,372	17,301	2,112	97,709	781	318,278
Additions	-	42,923	-	-	358	52,260	95,541
Transfers out	-	-	-	-	-	(43,575)	(43,575)
Balance at 30 June 2017	10,003	233,295	17,301	2,112	98,067	9,466	370,244

Depreciation and impairment losses	Leasehold improvements (buildings) at cost (\$'000)	Infrastructure at cost (\$'000)	Plant equipment & motor vehicles at cost (\$'000)	Rollingstock (refurbished) at fair value (\$'000)	Rollingstock (new) at fair value (\$'000)	Capital projects work in progress (\$'000)	Total (\$'000)
Balance at 1 July 2015	(3,824)	(168,727)	(3,594)	-	-	-	(176,145)
Depreciation for the year	(909)	-	(1,839)	(170)	(3,646)	-	(6,564)
Impairment loss	-	(21,645)	-	-	-	-	(21,645)
Balance at 30 June 2016	(4,733)	(190,372)	(5,433)	(170)	(3,646)	-	(204,354)
Balance at 1 July 2016	(4,733)	(190,372)	(5,433)	(170)	(3,646)	-	(204,354)
Depreciation for the year	(966)	-	(1,943)	(221)	(3,847)	-	(6,977)
Impairment loss	-	(42,923)	-	-	-	-	(42,923)
Balance at 30 June 2016	(5,699)	(233,295)	(7,376)	(391)	(7,493)	-	(254,254)

Carrying amounts

at 1 July 2015	5,417	-	9,814	1,794	88,762	11,115	116,902
at 30 June 2016	5,270	-	11,868	1,942	94,063	781	113,924
at 30 June 2017	4,304	-	9,925	1,721	90,574	9,466	115,990

RECOGNITION AND MEASUREMENT

Rollingstock assets are stated at fair value on the basis of an independent market valuation by external valuation experts. Allowance has been made for the estimated costs of selling and transporting these assets to potential markets. Revaluations will be performed with sufficient regularity, not exceeding a period between revaluations of 5 years, so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

B - PROPERTY PLANT AND EQUIPMENT

B2 Property plant and equipment

INDEPENDENT VALUATION ROLLINGSTOCK

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

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

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

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

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

DEPRECIATION

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

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

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

Class of Asset	Useful Life
Buildings	9 - 15 years
Rollingstock - refurbished	3 - 8 years
Rollingstock - new	25 - 30 years
Plant, equipment and motor vehicles	3 - 18 years

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

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

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

B - OPERATING ASSETS AND LIABILITIES

B2 Property plant and equipment - continued

IMPAIRMENT

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" - CGU). The Company has two reportable segments (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.

Fair value measurement

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

Level 2	2017 (\$'000)	2016 (\$'000)
Rollingstock (refurbished)	1,721	1,942
Rollingstock (new)	90,574	94,063
	92,295	96,005

B3 Intangible assets - software

	2017 (\$'000)	2016 (\$'000)
Software - at cost	8,024	7,729
Accumulated amortisation	(3,557)	(1,597)
	4,467	6,132
Carrying amount at the beginning of the period	6,132	-
Additions	295	7,729
Amortisation	(1,960)	(1,597)
Carrying amount at the end of the period	4,467	6,132

The balance of Intangibles is predominantly Train Control software.

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

B - OPERATING ASSETS AND LIABILITIES

B4 Payables and other liabilities

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

Trade and other payables	2017 (\$'000)	2016 (\$'000)
Trade payables	1,489	1,048
Other trade payables	872	954
Cash flow hedge	11	-
Accrued expenses	4,273	7,022
Total trade and other payables	6,645	9,024

RECOGNITION AND MEASUREMENT

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

The average credit period on purchase of goods and services (excluding capital works) is 22.2 days (2016: 22.8 days). The Company has financial risk management policies in place to ensure all payables are paid within the credit timeframe. The Company's exposure to liquidity risk related to trade and other payables is disclosed in D3 Financial risk management objectives.

Other liabilities	2017 (\$'000)	2016 (\$'000)
Deferred grant income		
Tasmanian Government capital works funding	29,125	20,685
Australian Government capital works funding	801	866
Total other liabilities	29,926	21,551

B5 Inventories

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

Inventories	2017 (\$'000)	2016 (\$'000)
Consumables and spare parts - at cost		
Rollingstock, plant and equipment	6,356	4,366
Infrastructure	4,244	10,096
Fuel stock - at cost	203	286
Total inventories	10,803	14,748

Inventories are measured at the lower of cost and net realisable value. The cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

The cost of inventory consumed during the year was \$22,942,000 (2016: \$10,272,000).

C - PEOPLE

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

C1 Employee provisions

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

Employee provisions	2017 (\$'000)	2016 (\$'000)
Current		
Liability for annual leave	2,994	2,894
Liability for long-service leave	1,763	1,745
	4,757	4,639
Non current		
Liability for long-service leave	1,400	1,129
Total employee provisions	6,157	5,768

RECOGNITION AND MEASUREMENT

Short term employee benefits

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

Long term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs.

The provision is measured at the present value of management's best estimate of the expenditure required to settle the present obligation.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

C - PEOPLE

C2 Director and key management personnel contribution

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.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation. No other leave,

termination or retirement benefits are accrued or paid to directors. Directors are entitled to reimbursement of expenses incurred while attending to Board business. Non-Executive Directors' remuneration is reviewed periodically with increases subject to approval by the Treasurer and Portfolio Minister.

The following tables disclose the remuneration details in bands for each person that acted as a Non-Executive Directors during the current and previous financial year:

Non-Executive Director	Directors' fee (\$)	Committee fees (\$)	Super-annuation* (\$)	Other fees (\$)	Total 2017 (\$)
Mr R Annells PSM - Chairman	111,748	-	10,616	-	122,364
Mr D George (resigned 30 June 2017)	9,098	9,578	31,142	-	49,818
Mrs S Hogg	35,918	9,578	4,322	-	49,818
Mrs S Merridew	35,918	9,578	4,322	-	49,818
Mr S Cantwell (appointed 1 December 2016)	20,953	5,586	-	-	26,539
Mr R Neil (resigned 30 November 2016)	-	-	20,958	-	20,958

Non-Executive Director	Directors' fee (\$)	Committee fees (\$)	Super-annuation* (\$)	Other fees (\$)	Total 2016 (\$)
Mr R Annells PSM - Chairman	111,748	-	10,616	-	122,364
Mr D George	12,508	9,578	27,732	-	49,818
Mr R Gill (resigned 2 September 2015)	6,366	1,698	766	-	8,830
Mrs S Hogg (appointed 10 August 2015)	33,467	8,063	3,945	-	45,475
Mrs S Merridew	35,918	9,578	4,322	-	49,818
Mr R Neil	8,803	9,578	31,437	-	49,818

* Superannuation represents employer contributions including amounts salary sacrificed.

C - PEOPLE

C2 Director and key management personnel contribution - continued

Executive remuneration

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

Senior executive	Base salaries (\$)	Super-annuation* (\$)	Termination benefits**** (\$)	Short term incentive payments*** (\$)	Vehicles***** (\$)	Other benefits** (\$)	Total 2017 (\$)
Mr D White - CEO	292,222	27,761	-	-	29,976	20,055	370,014
Mr S Dietrich - CFO	237,159	24,149	-	17,044	12,843	26,836	318,031
Mr S Kerrison - COO	214,199	21,843	-	15,732	13,746	21,475	286,995
Mr B Parton - GM Freight Services	183,560	17,885	-	4,703	-	22,834	228,982
Mr J Drew - GM Asset Management	184,144	31,643	-	10,632	-	(84)	226,335
Mrs A Vujanovic - GM People & Culture (from 6 April 2017)	45,548	4,327	-	-	-	5,807	55,682
Mr S Cox - GM Strategy & Stakeholder Relations (from 22 May 2017)	17,136	1,627	-	-	1,677	1,633	22,073

Senior executive	Base salaries (\$)	Super-annuation* (\$)	Termination benefits**** (\$)	Short term incentive payments*** (\$)	Vehicles***** (\$)	Other benefits** (\$)	Total 2016 (\$)
Mr D White - CEO	292,222	29,948	-	23,025	29,976	22,374	397,545
Mr S Dietrich - CFO	229,910	24,919	-	32,400	12,844	40,592	340,665
Mr S Kerrison - COO	209,753	21,973	-	21,544	13,747	41,488	308,505
Mr B Parton - GM Freight Services (from January 2016)	82,627	7,850	-	-	-	10,516	100,993
Mr G Pitt - GM Freight Services (resigned July 2015)	742	12,731	122,181	11,084	-	(51,791)	94,947
Mr J Drew - GM Asset Management	183,777	30,059	-	17,366	-	11,509	242,711

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

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

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

C - PEOPLE

C2 Director and key management personnel contribution - continued

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines, dated October 2015. Under these Guidelines, remuneration bands for Chief Executive Officers (CEOs) are determined by the Government Business Executive Remuneration Panel and reflect the principles outlined in the Guidelines and broadly align with State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's salary.

In accordance with Accounting Standard AASB 124 Related Party Disclosures, the Company notes that Short Term Employee Benefits were \$1,528,276 (2016 \$1,408,322), Other Long Term Employee Benefits being the movement in accrued annual and long service leave were \$98,556 (2016 \$74,688), Post Employment Benefits were \$200,595 (2016 \$206,298) and Termination Benefits were \$Nil (2016 \$122,181).

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

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions.

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

The performance of each senior executive, including the CEO, is reviewed annually which includes a review of their remuneration package. The terms of employment of each senior executive, including the CEO, contain a termination clause that requires the senior executive or the Board to provide a minimum notice period of up to 6 months prior to termination of the contract. Whilst not automatic, contracts can be extended.

Short term incentive payments

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

Short term incentive payments were paid during the current year based on each senior executive meeting agreed performance objectives which covered a mix of targets linked to financial, safety and personal objectives tailored to each position for the previous financial year.

D - CAPITAL STRUCTURING AND FINANCING

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

D1 Capital management

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

	2017 (\$'000)	2016 (\$'000)
Opening balance - fully paid ordinary shares	352,179	320,929
* Equity contributed during the year	20,400	31,250
Closing balance - fully paid ordinary shares	372,579	352,179

** This is funding provided to the Company which has been formally designated as equity in accordance with the accounting policy in A1 and comprises of Tasmanian State Government funds for capital works programs and operational expenditure of \$Nil (2016: \$20,000,000) and Australian Government funds for capital works programs of \$20,400,000 (2016: \$11,250,000).*

D2 Reserves

Asset revaluation reserve - rollingstock	2017 (\$'000)	2016 (\$'000)
Opening balance	6,884	6,884
Asset revaluation increment	-	-
Tax effect arising on asset revaluation	-	-
Closing balance	6,884	6,884

Cash flow hedge reserve	2017 (\$'000)	2016 (\$'000)
Opening balance	175	524
Effective portion of changes in fair value of cash flow hedge	(262)	(498)
Tax effect arising on market valuation	79	149
Closing balance	(8)	175
Total reserves	6,876	7,059

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.

D - CAPITAL STRUCTURING AND FINANCING

D3 Financial risk management objectives

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

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

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

Credit risk

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

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

The ageing of trade receivables at the reporting date was:

	2017 (\$'000)	2016 (\$'000)
Not past due	3,940	2,750
Past due 0-30 days, but not impaired	195	114
Past due 31-60 days	-	-
Past due more than 60 days	-	-
Total	4,135	2,864

Liquidity risk

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

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

Financial liabilities	2017 (\$'000)	2016 (\$'000)
Trade and other payables - payable in 6 months or less	6,645	9,024
Borrowings - payable in 12 months or less	-	-
	6,645	9,024

Undrawn financing facilities

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

Financing facilities	2017 (\$'000)	2016 (\$'000)
Corporate charge card facility	184	179
Borrowings	10,000	10,000
	10,184	10,179

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

E - ADDITIONAL INFORMATION

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

E1 Leases

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.

	2017 (\$'000)	2016 (\$'000)
Capital expenditure commitments		
Above Rail	556	2,210
Below Rail	9,166	16,278
	9,722	18,488
Operating leases		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,460	1,386
Between one and five years	3,290	2,848
	4,750	4,234

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 \$1,436,000 (2016: \$2,039,000) was recognised as an expense in respect of operating leases.

E2 Auditors remuneration

Audit services	2017 (\$'000)	2016 (\$'000)
Auditors of the Company:		
Tasmanian Audit Office audit the financial report	50,770	49,720
	50,770	49,720

E3 Dividends

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

E - ADDITIONAL INFORMATION

E4 Contingencies

Under the terms of the Lease from the Minister for Infrastructure for the Rail Corridor and associated infrastructure, the Company is responsible for remediation of any environmental obligations that may become apparent as a result of the Company's operations or past operations of the network. There were no new environmental liabilities identified at balance date that would have a material effect on the Company's Financial Report at 30 June 2017.

If significant environmental liabilities are identified in the future, relating to the period prior to the commencement of the Company, the Company would require financial support from the Tasmanian Government to fund the remediation.

As at reporting date, the Company estimates a further \$1.126m is payable in further flood related remediation costs. It is anticipated that these costs will be covered by insurance. No provision for the amounts payable or receivable have been made in these financial statements.

E5 Subsequent events

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

to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

E6 Transactions with other related parties

Mr Robert Annells was Chairman of Forestry Tasmania Pty Ltd whose ultimate owner is also The Crown in Right of Tasmania until 1 February 2016. 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 \$840,000 (2016: \$976,000).

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 was in place until 31 August 2015 with an entity related to Mr Robert Annells that provided 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.

E7 Ultimate owner

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

E8 Overseas related travel

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

	2017 Total trips	2017 Total cost (\$)	2016 Total trips	2016 Total cost (\$)
Overseas travel by the Directors and the Chief Executive Officer	1	14,571	Nil	Nil
Overseas travel by other employees	1	8,860	10	127,148

The overseas travel incurred was required in connection with the final acceptance testing of an underfloor wheel lathe and a level crossing international study tour (procurement of new rollingstock in prior year). The trips and costs incurred were allowed for in the capital project cost estimate and the operating costs of the business.

E - ADDITIONAL INFORMATION

E9 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.

E10 Other accounting policies

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 2017, 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 2018	30 June 2019
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards	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 15 <i>Revenue from Contracts with Customer</i>	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfer to a customer – so the notion of control replaces the existing notion of risks and rewards. Management is currently assessing the impact of the new rules but at this stage does not expect any material impact on the Company's financial statements.	1 January 2018	30 June 2019
AASB 16 <i>Leases</i>	The standard removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. Management is currently assessing the impact of the new rules on the Company's financial statements.	1 January 2019	30 June 2020

In the current year, the Company has applied *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*. The adoption of this standard resulted in improved reporting and disclosure of the Company's financial performance and position, but did not impact the amounts recognised in these financial statements.

Tasmanian Railway Pty Limited
Directors' Declaration
For the year ended 30 June 2017

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 2017 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in the 'Basis of Preparation';
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. The Directors draw attention to note E9 which includes a statement regarding the Company's dependence on government contributions;
- (d) the Directors have been given the declarations as set out in S295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors:



Mr Robert Annells PSM
Chairman

Dated at Hobart this 1st day of August 2017.



Independent Auditor's Report

To the Members of Tasmanian Railway Pty Ltd

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Tasmanian Railway Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2017, the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 31 July 2017 and included in the Directors' Report, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
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<p>Valuation and impairment of rollingstock assets</p> <p><i>Refer to note B2</i></p> <p>The Company's rollingstock (both new and refurbished) represents the majority of Property, plant and equipment and includes locomotives and wagons and rotatable spares. The locomotives and wagons are measured at fair value based on an independent valuation and the aggregate carrying value was \$92.30m at 30 June 2017.</p> <p>Both fair value valuation and impairment assessment are dependent upon significant judgement by the valuer and management, with movements in rollingstock values potentially having a significant impact on the Company's financial position and results.</p> <p>In estimating the value of the locomotives and wagons, the valuer used market prices for assets that were similar in use, type and condition. Market prices were determined in United States Dollars and then converted to Australian Dollars using an exchange rate current at the time of the valuation. The valuer also considered the cost of necessary modifications and the impact of time and depreciation on the market prices.</p> <p>In 2016-17, management concluded that no impairment was necessary.</p>	<ul style="list-style-type: none"> • Obtaining and reviewing the valuation assessment prepared by the independent valuer engaged by the Company. • Assessing the methodology used by the external valuer to estimate fair values. • Assessing the reasonableness of the external valuer's conclusion, having regard to the key inputs and assumptions. • Evaluating the external valuer's competence, capabilities and objectivity. • Considering management's conclusion that no impairment was necessary. • Testing, on a sample basis, additions and disposals throughout the year. • Examining disclosures in the notes to the financial report for compliance with Australian Accounting Standards, including AASB 13 <i>Fair Value Measurement</i>.
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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

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



Jara K Dean
Assistant Auditor-General Financial Audit
Delegate of the Auditor-General

Tasmanian Audit Office


4 August 2017


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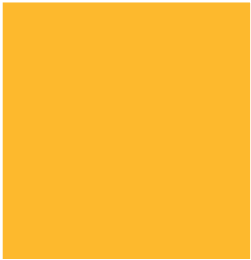
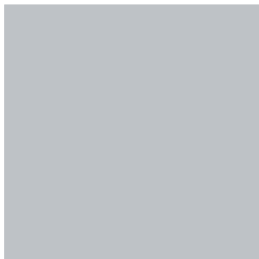
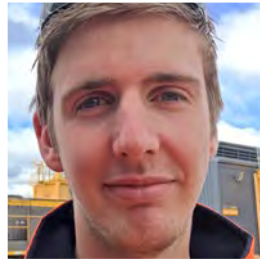
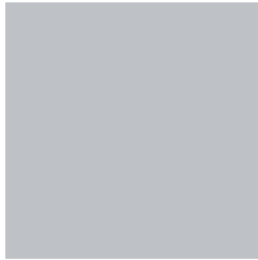
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PUBLISHED
OCTOBER 2017