

ANNUAL REPORT 2017-18





Rebuilding a rail network that all Tasmanians can take pride in.

TasRail's highly valued team of employees and contractors continuously challenges traditional thinking and relentlessly pursues value adding activities to achieve economic, social, environmental and leadership distinction for our customers, shareholder members and the broader community.

As a State-owned Company, TasRail was established on 1 December 2009 by an Act of Parliament.

The business was created by combining the Below Rail assets that the State Government had assumed responsibility for in 2007, with all of the Above Rail and business assets purchased from Pacific National in 2009, including the Emu Bay Railway.

As a vertically integrated freight rail business, TasRail strives to set new benchmarks of excellence through the safe, reliable and competitive delivery of innovative and integrated logistics solutions.

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SAFETY / INTEGRITY / LEADERSHIP / TEAMWORK / RESPONSIBILITY / EXCELLENCE / INNOVATION

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OUR BUSINESS

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

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

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; and
- Seamless interconnectivity between freight rail and mining and manufacturing facilities.

TasRail is currently managing a \$240 million upgrade of the Tasmanian Rail Network, jointly funded by the Tasmanian and Australian Governments. The Tasmanian Freight Rail Revitalisation Program (TFRRP) commits two tranches of funding, each valued at \$119.6 million, to address a prioritised program of Below Rail renewals and critical works over eight years.

Tranche One works commenced in 2015-16 and will conclude on 30 June 2019. Tranche Two will immediately follow-on, enabling TasRail to build momentum and retain project personnel, skills and equipment. This in turn saves the hefty cost of remobilisation expenses, thereby maximising the available investment.

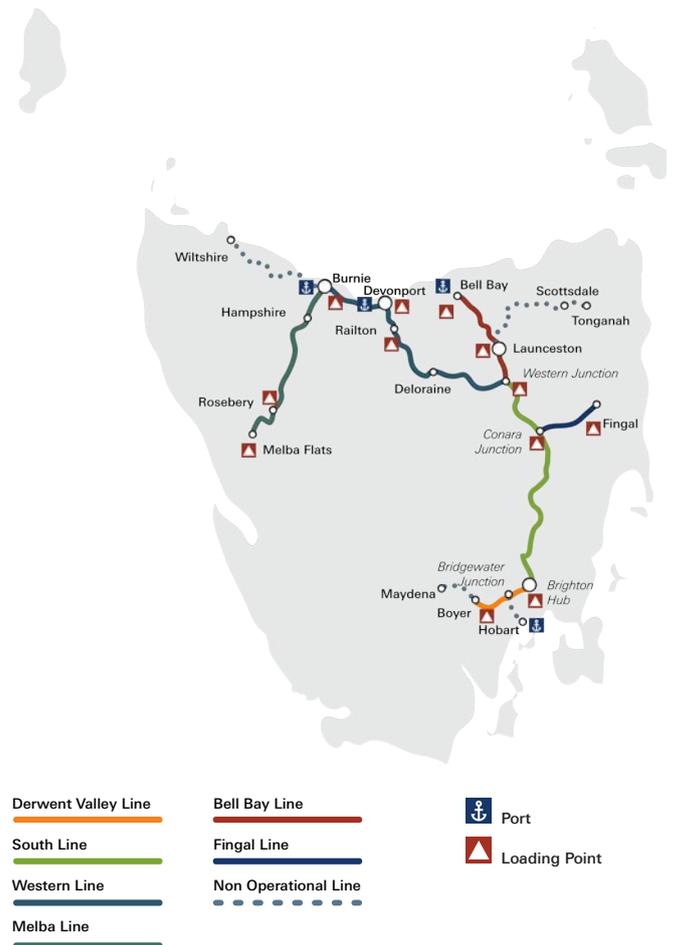
ABOVE RAIL ASSETS

- 17** TR Class locomotives
- 8** 2000 Class legacy locomotives
- 1** Driving Van
- 54** Ore wagons
- 18** Cement wagons
- 15** Ballast wagons
- 40** Logtainers
- 8** Log wagons
- 37** Coal wagons
- 199** Intermodal wagons
- 1** Shiploader
- 1** Underfloor wheel lathe

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



OUR TERMINALS

TasRail operates from strategically located freight terminals at Burnie, Brighton, George Town and Devonport. With direct links to major ports, our state-wide terminals are designed to support and seamlessly interface with multi-modal operations.

As specialists in the safe storage, handling and haulage of bulk products, and owner/operator of the State's only multi-commodity shiploader at Burnie, TasRail is able to offer the market a broad range of services and options for the responsible movement of freight. This includes integration with customer operations and rail sidings.



BRIGHTON

The Brighton Transport Hub is a significant and contemporary intermodal terminal that services major industries and freight forwarding customers with the efficient transfer of road and rail freight. In 2013 the Toll Group invested \$25 million in its new facilities within the Hub where TasRail also has administration and training facilities as well as a maintenance workshop that services and provisions rollingstock. Separate storage and staging facilities to service southern forestry operations are also in operation here, with TasRail railing a growing volume of logs and timber commodities for the sector.

BURNIE

This Rail Freight Terminal is integrated within the vital export hub that is the Port of Burnie. A major intermodal terminal in its own right, TasRail's Burnie operations also include a multi-commodity bulk minerals storage warehouse with bulk handling and direct shiploading facilities that service customers including major West and North West Coast Mines. In 2017, TasRail invested \$5.5 million in a new state-of-the-art wheel lathe operation at its adjoining rail yard.



DEVONPORT

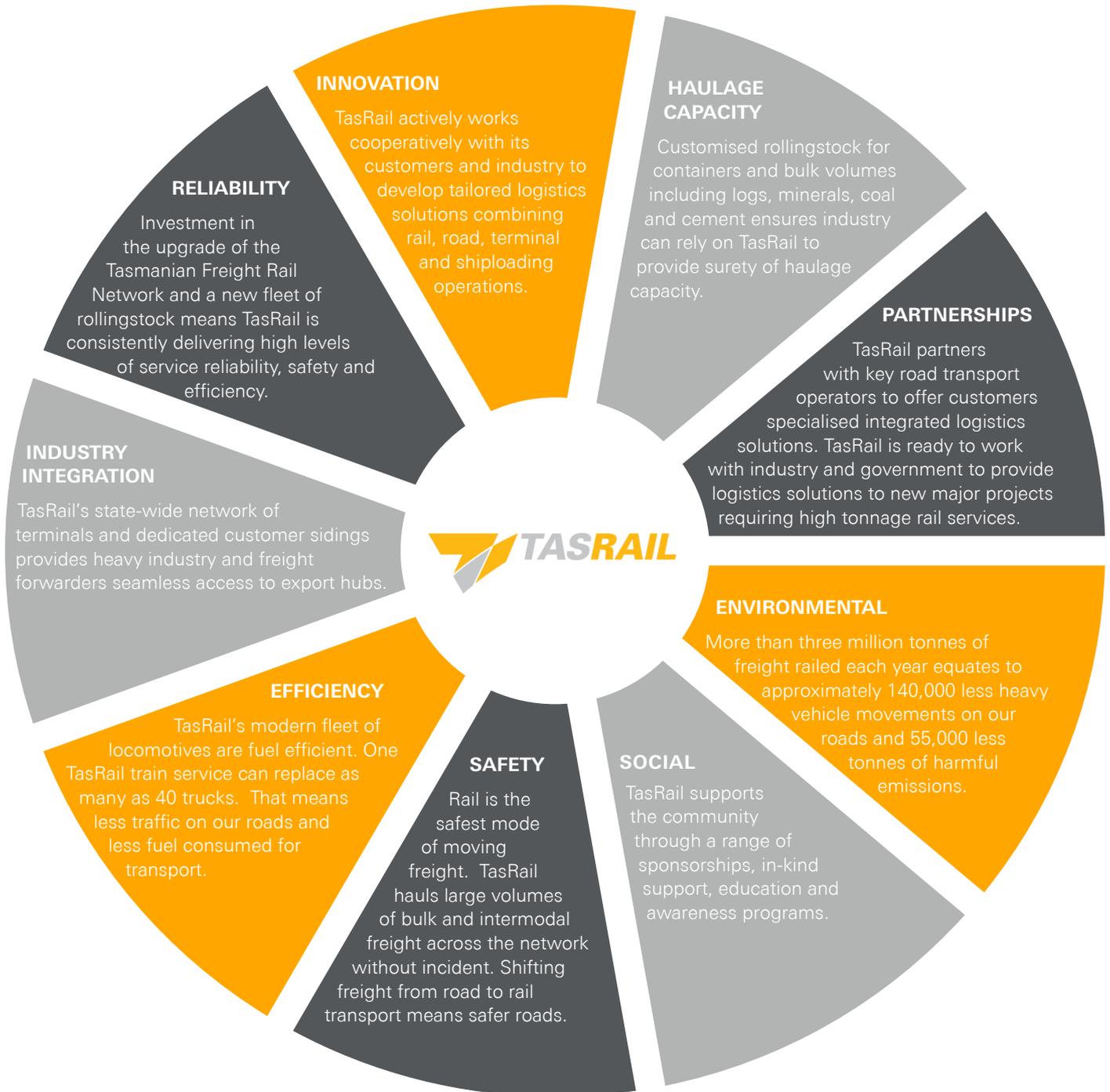
TasRail's Devonport Terminal plays a pivotal role in the Company's cement hauling operations between Railton and Devonport, as well as servicing intermodal freight in and out of West Devonport on behalf of key road transport companies.

GEORGE TOWN

This is a multi-modal terminal located in the heart of the Bell Bay Major Industrial Zone, near George Town. The \$7 million facility commenced operation in 2015 and offers freight connections to major ports. Providing a range of intermodal, bulk and log services, TasRail is able to support industry with multiple logistics services and flexible container handling options.

HOW TASRAIL CREATES VALUE

TasRail prides itself on offering safe, efficient, reliable and competitive freight services to its highly-valued customers, and returning a strong social and environmental contribution to the wider Tasmanian community.



STATEMENT OF CORPORATE INTENT

TasRail measures its performance against a range of financial and non-financial targets. These targets are agreed between the Company and its Shareholder Members prior to each financial year and are published in an annual Statement of Corporate Intent. The table below illustrates TasRail's actual performance against the agreed measures and targets for 2017-18:

Performance Target	Target Result for 2017-18	Actual Result for 2017-18	Comments
Lost Time Injury Frequency Rate [^]	Zero	Zero	TasRail is committed to safety excellence and ensuring all employees and contractors go home safe and well every day. In 2017-18 TasRail recorded zero Lost Time Injuries – a remarkable achievement for a 24/7 heavy haulage freight operation. The Recordable Injury Frequency Rate was also well below the target result.
Recordable Injury Frequency Rate*	10	7.1	
Freight Availability (General Intermodal)	98 per cent	87 per cent	While the average Freight Availability performance across the network was less than TasRail's aspirational target of 98 per cent, this in part reflects the challenge of balancing the competing needs of track access for infrastructure upgrades in parallel with maintaining safe rail operations and services.
Main Line Derailments	Zero	1	One mainline derailment occurred in 2017-18 as a result of adverse weather that caused a large tree to fall and dislodge a section of track on the Melba Line. Despite being in a remote location not accessible by crane, the track was promptly restored with minimal disruption to customers.
Below Rail Infrastructure Cost (per track kilometre)	\$19.5 thousand	\$18.7 thousand	Infrastructure maintenance costs were less than plan due to accounting adjustments related to the June 2016 flood event.
Customer Revenue	\$35.8 million	\$33.8 million	TasRail achieved a 2.7 per cent increase in customer revenues compared to the previous financial year, but fell short of its ambitious target.
Capital Spend	\$29.2 million	\$32.7 million	Capital expenditure was higher than plan but overall expenditure remains within five year plan limits.
EBITDA (consolidated) after TAS GVT Below Rail Infrastructure Contribution	Break even	Break even	TasRail delivered its first Above Rail profit since the Company's inception in 2009. The result was achieved through a combination of increased freight volumes, tighter cost control and operating efficiencies.
Above Rail Net Profit (Loss)	\$0.7 million	\$0.4 million	

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

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

CHAIRMAN'S REPORT

The end of the 2017-18 financial year saw TasRail post a solid result and record a number of milestones.

For the first time since establishment, the Company posted an Above Rail profit of \$440 thousand. While this may appear a modest amount, it is a significant achievement in the context of challenging conditions. That it was achieved at all is testament to prudent fiscal management and a relentless effort to grow revenues and control operating costs.

The level of the Below Rail Infrastructure Contribution (BRIC) from the Tasmanian Government has reduced by 58.5 per cent from a peak of \$19.5 million in 2010-11 to \$8.1 million in 2017-18. While the actual cost to maintain the network is higher than the BRIC allocation, operating surpluses generated from the Above Rail business are being used to offset this shortfall. TasRail's strategy to leverage the Infrastructure Investment Program to eliminate known single points of failure is seeing the burden of reactive maintenance reducing, but closing the gap between the true cost of maintaining the Below Rail assets and the current level of the BRIC will continue to be a challenge moving forward.

Cash generated by the Above Rail business is also being used to support TasRail's sustaining capital requirements including the future locomotive change-out program.

Future replacement of TasRail's multi-commodity shiploader is also on the horizon. The shiploader is critical infrastructure that services the West Coast mining industry and is paramount to the minerals sector.

It is imperative that funding options to replace this fifty year old asset be considered in the context of Infrastructure Tasmania's 30 Year Plan. TasRail will continue to work co-operatively with relevant stakeholders including the State Government, TasPorts and Infrastructure Tasmania, capably led by TasRail's newly appointed Chief Executive Officer Steven Dietrich.

Steven joined TasRail in June 2010 as Chief Financial Officer and Company Secretary. His achievements in that role and as a key member of the TasRail Executive, combined with some three decades experience in logistics and infrastructure, made him a standout replacement for Damien White who had been at the helm since 2010. On behalf of the Board I'd like to thank Damien for his dedication and commitment to TasRail over the past eight years, and to acknowledge his significant contribution to the rebuilding and transformation of the business.

Improving commodity prices and a lower Australian dollar are continuing to drive new opportunities in the minerals and forestry sectors and TasRail has shown tenacity in pursuing and capturing new business in both intermodal and bulk freight this financial year. The Board is determined to further expand TasRail's market share by exploiting the inherent advantages that rail offers to the market. These have now expanded beyond traditional haulage to include the design and operation of integrated supply chain logistics. TasRail's Management is to be congratulated on its work over the past 12 months to win new business and its growing competency to plan, implement and deliver new services.



'2017-18 has been a year of considerable change and achievement for TasRail, positioning the organisation for long-term sustainable success'.

*Samantha Hogg
Chairman*

It would be remiss not to highlight that much of what has been achieved could not have been realised without the commitment and support of the Tasmanian and Australian Governments. The availability and certainty of Infrastructure Investment Program (IIP) funding to 30 June 2023 is enabling TasRail to build on the momentum of previous investments that addressed the most urgent of the legacy defects across the network. IIP Tranche Two will see a prioritised list of renewals completed over the next few years. This important investment underpins TasRail's capacity to deliver safety and reliability standards that are substantially better than the freight rail industry in Tasmania has experienced in decades. As a result, the freight market has confidence that rail is a genuine competitor and our customers are reporting renewed levels of confidence with TasRail's capabilities.

On behalf of the Board and the whole of the TasRail team I'd like to thank the Tasmanian and Australian Governments for their continued support and for their belief in TasRail and its legitimacy as a major player in the freight and logistics sector. There are some exciting developments occurring in the industry including the impending introduction of new and bigger ships to service Bass Strait, rising forestry volumes, prospective new mines and the re-opening of the Hellyer Gold Mine. TasRail is well positioned to take advantage of these opportunities and is already proving its value to the forest sector with its increasing demand for rail which may well offer a solution for Southern Forests Residues.



With respect to tourist and heritage rail operations in Tasmania, the Board welcomes and supports the State Government's policy to encourage new opportunities on both the operational and non-operational lines. The legal, regulatory and administrative framework that governs rail operations is complex and the hurdles to achieving and maintaining rail safety accreditation cannot be overstated. By creating options for tourist and heritage rail to either operate on a Strategic Infrastructure Corridor under lease with the Crown and its own accreditation; or applying to TasRail for a Network Access Agreement and being responsible for only its Above Rail accreditation, provides the tourist and heritage rail organisations with transparency and choice.

TasRail will continue to engage with the various organisations and provide practical support and assistance wherever reasonable. Our policy to offer tourist and heritage rail organisations advance notice of the disposal of redundant rail assets will continue, as will the reasonable donation of items.

On behalf of the Board, I would like to thank and congratulate Steven Dietrich and the whole of the TasRail team for their dedicated service and contribution to the Company's results.

To my fellow Directors, thank you for your professionalism and support, and for your individual and collective contributions that are of great value.

I must also thank TasRail's Shareholder Members, the Hon. Jeremy Rockcliff MP and the Hon. Peter Gutwein MP for their support and assistance and it's important to acknowledge the co-operation and efforts of their hardworking staff.

I'd also like to thank and acknowledge the former Minister for Infrastructure, the Hon. Rene Hidding MP for his contribution and commitment to the of freight rail in Tasmania.

In conclusion, I extend special thanks and appreciation to Bob Annells and Sarah Merridew. As inaugural Directors, both made outstanding contributions through TasRail's most challenging years and each deserves to take much credit for the Company's resurgence. As founding Chairman, Bob's leadership, determination and stewardship proved pivotal to establishing the strong foundation from which TasRail can now propel forward.

Samantha Hogg
Chairman



2017-18 ACHIEVEMENTS



ZERO
LOST TIME
INJURIES



FIRST
ABOVE RAIL
PROFIT



RECORD 3.36 MILLION
TONNES OF FREIGHT HAULED



RECORD MONTHLY FREIGHT
TONNAGE **331,591**
FOR THE MONTH OF NOVEMBER



ADDITIONAL
\$119.6
MILLION
INFRASTRUCTURE FUNDS COMMITTED



WINNER OF THE
AUSTRALASIAN FREIGHT RAIL
EXCELLENCE AWARD



CEO REPORT

It's been an outstanding year for TasRail and its best since it was established nine and half years ago.

I thank Damien for his leadership and drive over the past eight years and for his work to position TasRail for success.

I feel extremely privileged to now lead the organisation, and I thank the Board for the confidence it has shown in me through my appointment as CEO. I'd also like to thank the Executive and Management Teams and everyone at TasRail for their support and for helping the transition to a new era of leadership.

TasRail's success can be measured in many ways. For me, it's knowing that our hardworking and dedicated team went home safe and well at the end of each shift; that we delivered excellent service to our highly valued customers; and that we secured and commenced new business opportunities. TasRail also delivered another year of significant capital investment on time and as per agreed milestones. Perhaps most significantly for our Shareholders and the Community, the Company returned TasRail's first ever Above Rail Profit on the back of renewed cost control and business growth.

I am incredibly proud of the TasRail workforce and its passion for business success. Ours is a 24/7 heavy haulage logistics business and to have worked a full year without a single Lost Time Injury is a significant achievement.

An absolute commitment to the SafetyCircle® principles of working safely and having the confidence to call out unsafe behaviour is behind the transformation of TasRail's safety culture and ultimately its vastly improved safety report card.

The belief that zero harm is achievable is also behind TasRail's derailment prevention strategy. Although one mainline derailment was reported in the 2017-18 financial year, it was not caused by an asset failure, a fault or human error, but rather a natural event whereby a large tree had fallen down an embankment following heavy rainfall, dislodging a section of the Melba Line by two metres. TasRail employees showed exceptional foresight and skill to safely re-rail the locomotive in a remote area inaccessible by a crane. Normal services were able to resume in a timely manner, ensuring minimal disruption to customers.

TasRail's market share continued to increase in 2017-18 for a record annual total of 3.6 million tonnes. Intermodal volumes remain strong, with a three per cent increase for the year.

We set a new record in November 2017 with 331,591 tonnes hauled. This is the highest ever volume recorded in a single month. The outlook for bulk commodities on rail is also on the increase, with TasRail recording 13 per cent growth in logs railed between Brighton and Bell Bay.



'Another freight tonnage record proves that Tasmanian industry is committed to a long term future for rail in Tasmania'.

*Steven Dietrich
Chief Executive Officer*



Other notable business achievements for the year include:

- Moving plantation wood on rail for the first time;
- Finalisation of a new contract with Hellyer Gold Mine for bulk storage and shiploading services, with potential for rail volumes as mine production increases;
- Major contract renewals with resource and forestry customers;
- New partnerships for heavy lifting services at George Town Freight Terminal; and
- Increased interest and activity from new and returning customers.

There is a strong sense of optimism and confidence in the Tasmanian economy and this is translating to new prospects for TasRail. I am confident the Company has the expertise, capability and innovation to seek out and seize these opportunities as they start to manifest.

This year, TasRail was recognised by the Australasian Railway Association, winning an award for freight excellence. To have TasRail's accomplishments and maturity as an innovative freight logistics provider recognised in this way by the rail industry is exceptional and a strong validation of the work over the past nine years. I was honoured to accept the award on behalf of TasRail, but the credit for what has been achieved belongs to the TasRail team, past and present Directors of the Board and the Tasmanian and Australian Government for their vision to revitalise the State's freight rail business.

TasRail has a great team that stand at the forefront of our success. Their collective energy, enthusiasm, skills and professionalism is something I'm immensely proud of. Ensuring that all employees are respected, valued and empowered to achieve excellence must remain a priority if we are to retain and attract the right people. Providing opportunities for professional learning and development and fair systems of recognition and reward continue to be central to TasRail's People First Strategy.

The much improved result for TasRail was only achieved thanks to the collective effort of many, especially our highly valued customers who I must thank for their confidence and loyal support of our services.

To the TasRail Chairman and Directors, thank you for your support, encouragement and guidance. And to my Executive Team, thank you for your ongoing support, wise counsel and leadership.

I must also acknowledge the support of the State and Federal Governments and their unwavering commitment to the first and second tranches of the Infrastructure Investment Program that is facilitating TasRail's revitalisation.

Steven Dietrich
Chief Executive Officer

BOARD OF DIRECTORS



TasRail boasts a skills based Board of Non-Executive Directors

Back Row L-R: Stephen Cantwell, Ian Dobbs, Philip Mussared, Front Row L-R: Samantha Hogg (Chairman) and Janine Healey

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.

JANINE HEALEY

Janine was appointed to the TasRail Board in July 2017. She is a Chartered Accountant with more than 30 years experience working in senior roles with both KPMG and Deloitte. As a former Director of Hydro Tasmania, Port of Launceston Pty Ltd and Inveresk Railway Management Authority Janine has a wealth of experience. She is currently Treasurer of the Launceston Chamber of Commerce and Harvest Launceston; and an AICD Fellow.

IAN DOBBS

Ian was appointed to the TasRail Board in July 2017. Ian worked in a range of operational management roles in the UK rail industry before leading the Victorian transport reform program, establishing his own consulting business, managing a number of the UK's private rail franchises and being appointed Chairman and CEO of Public Transport Victoria. He is currently VP of the International Association of Public Transport.

PHILIP MUSSARED

Philip was appointed to the TasRail Board in December 2017. He has held senior positions in the Commonwealth, NSW and Tasmanian public sectors, most recently as Retirement Benefits Fund CEO. Philip is a Director of Hobart International Airport, National Trust (Tas), Tasmanian Heritage Council, Chair of the Tasmanian Traineeships and Apprenticeships Committee and Australian Risk Policy Institute Vice President.

EXECUTIVE TEAM

CHIEF EXECUTIVE OFFICER
Steven Dietrich



CHIEF OPERATING OFFICER
Stephen Kerrison



CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY
Karen van der Aa (Interim)



GENERAL MANAGER PEOPLE AND CULTURE
Alice Vujanovic



EXECUTIVE MANAGER CORPORATE RELATIONS AND STRATEGIC DEVELOPMENT
Neale Tomlin



FREIGHT SERVICES

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



CORPORATE SERVICES

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



PEOPLE AND CULTURE

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



CORPORATE RELATIONS AND STRATEGIC DEVELOPMENT

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



ASSET MANAGEMENT

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



BUSINESS IMPROVEMENT

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

PEOPLE AND SAFETY

TasRail embarked on a reinvigorated leadership development journey in 2017-18 designed to empower its senior managers and supervisors to excel, motivate, communicate and lead in a more effective, efficient and rewarding workplace. This investment is helping to build and maintain positive and constructive workforce relationships. This customised training is helping participants to develop core leadership skills such as active listening, empathy, emotional intelligence and conflict management and to gain confidence in the way they engage with their teams.

Other key initiatives undertaken during the reporting period include a review of the way training is delivered across the business; the development of a more consistent approach to professional development and succession planning and the negotiation of a number of Enterprise Agreements.

A greater focus on diversity and to ensuring that all employees are respected, valued and empowered to achieve excellence remains central to TasRail's People and Culture Strategy:

- ✓ **Transition the Workforce**
- ✓ **Optimise Performance and Productivity**
- ✓ **Manage and Develop Capability**
- ✓ **Effective Leadership**
- ✓ **Aligned Engagement**
- ✓ **Continuous Learning and Development**



TRAINEE DRIVERS

Toward the end of the 2017-18 financial year, eight of TasRail's Rail Operators earned promotion to Trainee Driver roles. Included in the new intake was TasRail's first Trainee Cement Team Driver Jamie Webster (Devonport) as well as Scott Williams and Nick Halman (Brighton); Ty Harding, Doug Keep and Kai Schumann (Burnie); and John Billett and Ben Foden (Launceston).

'We are here as a collective with every part of the organisation important and equal to the other. By working together, empowering and caring for each other and upholding the behaviours and values that distinguish our organisation as an industry leader, we will achieve great outcomes'.

*Steven Dietrich
Chief Executive Officer*

WORKFORCE PROFILE

As at 30 June 2018

50 
LOCOMOTIVE DRIVERS

 **14%**
INCREASE IN
NUMBER OF
WOMEN IN WORKFORCE

29  EMPLOYEES WITH
30+ YEARS OF
SERVICE


229.1
FULL TIME
EQUIVALENTS

 **100.7**
FREIGHT SERVICES
FULL TIME EQUIVALENTS

 **32.5**
CORPORATE SERVICES
FULL TIME EQUIVALENTS

95.9 
ASSET MANAGEMENT
FULL TIME EQUIVALENTS

SNAPSHOT / CUSTOMER SERVICE EXCELLENCE

As the first female operational manager at TasRail (and perhaps in the history of the Tasmanian Rail Industry) Vanessa Sullivan is somewhat of a trail blazer. As TasRail's Customer Service Delivery Manager, Vanessa consistently displays a strong sense of determination, strength, energy and commitment to her role. By being transparent, flexible, reliable, safe and decisive, she has successfully developed effective and strategic relationships with each of TasRail's customers.

2017-18 has been a remarkable year for Vanessa. She was nominated for the Women in Resources (Tasmania) Awards, being named co-winner of the Exceptional Woman Award. She was then invited to represent Tasmania at the National Awards, to be presented at the Australian Parliament House during September 2018.

Earlier in the year, Vanessa was also selected to participate in the Australasian Railway Association Future Leaders Course as part of a small group from Australia and New Zealand. Her inspirational application focussed on empowering her team as well as leadership, coaching and innovation. Vanessa is the first to acknowledge that her award success is in large part attributed to her great team.

Vanessa is an exceptional role model for current and future generations of women and a great ambassador for the rail industry. TasRail congratulates Vanessa on another outstanding year in 2017/18.



'I am overwhelmed and completely humbled that the resources industry in Tasmania has recognised my efforts and achievements.'

*Vanessa Sullivan
Manager Customer Service Delivery*

PEOPLE AND SAFETY

Going home safe and well today and every day is now the mantra of everyone at TasRail.

This strong commitment to safety excellence has seen TasRail achieve its best ever safety results.

As at 30 June 2018, TasRail employees had worked 674 consecutive days free of Lost Time Injury. As at the same date, TasRail contractors had worked 428 consecutive days without Lost Time Injury

This is a remarkable achievement given the nature of TasRail's heavy freight activities that operate around the clock and in parallel with a substantial infrastructure upgrade of the network.

TasRail also achieved a better than target performance for Recordable Injuries.

Although one mainline derailment was recorded in 2017-18 it was caused by natural events rather than an infrastructure or asset fault or human error. This derailment occurred on the Melba Line following heavy rainfall that caused a large tree to fall, causing the dislodgement of a section of track in a remote area.

No injuries or damage to freight occurred as a result of the incident and TasRail's crews were able to safely repair the track and restore services with only minimal disruption to customers. This was a significant challenge given the remote area was not accessible by crane.



An updated Safety, Health and Environment (SHE) Strategy was launched in June 2018, building on the foundation of programs and actions in place by taking into account a review of current SHE performance, legislative requirements, audit results and assessed risk exposures.

Five 'Mission Critical' Initiatives were identified and will continue to be priority areas of focus.

1. Contractor Management Process
2. Engineering Controls
3. Derailment Prevention Strategy
4. Fatigue Management
5. Level Crossing Strategy



'TasRail's exemplary safety record is not just luck. Our team is continuously making decisions and choices that are consistent with 'inside the circle' behaviour, resulting in a Lost Time Injury free year.'

*Derek Van der Heide
Risk and Compliance Manager*

SNAPSHOT / FATIGUE MANAGEMENT

TasRail recognises the hazard of fatigue as a critical safety element, prompting a comprehensive review of its Fatigue Management System (FMS).

A number of short and longer term actions have been recommended, which are now being implemented. Several fatigue related work tasks were identified, such as 'lone vehicle driving' and appropriate 'rest breaks' during the course of a work shift.

A Drowsy Driver Detection system is currently being trialled, which involves a forward facing camera and an internal facing camera being installed in a number of TasRail's fleet of vehicles. This system is able to detect, measure and monitor a road vehicle driver's eye and mouth movement to sense the onset of a micro-sleep. Where this occurs, the system will alert the driver by sounding an alarm and seat vibration.

Numerous other fatigue mitigating actions are proposed for implementation in 2018/19 to ensure TasRail's FMS meets industry best practice. TasRail is committed to the goal of reducing employee fatigue and to minimising the risk of safety incidents related to fatigue.

'TasRail is to be congratulated for taking this proactive step in managing worker fatigue as part of the Company's commitment to safety excellence.'

*Tony Halman
Project Leader Fatigue Management*



R U OK?

Supporting Mental Health and Wellness has been an area of renewed focus in 2017-18 with a group of 25 employees completing Mental Health First Aid training.

Rail is an industry where employees can be affected by emotional or mental trauma as a direct result of exposure to public incidents on the railway such as a level crossing near miss, train collision or trespass.

As an organisation, TasRail works to ensure it has the capacity and capability to support employees achieve good health and wellbeing by equipping its leaders and peer support team members with the skills necessary to identify and assist a colleague who may not be coping with personal and/or work related issues. A range of free and confidential support services are also easily accessible to TasRail employees.

'Most of us see our peers on a regular basis which puts us in a great position to notice changes in a colleagues demeanour or behaviour. By finding the time and courage to ask R U OK? we show we care. By 'staying chatty', we can help to reduce feelings of isolation and doubt. A conversation could change a life'.

*Alice Vujanovic
General Manager People and Culture*

SNAPSHOT / TRAIN CONTROL

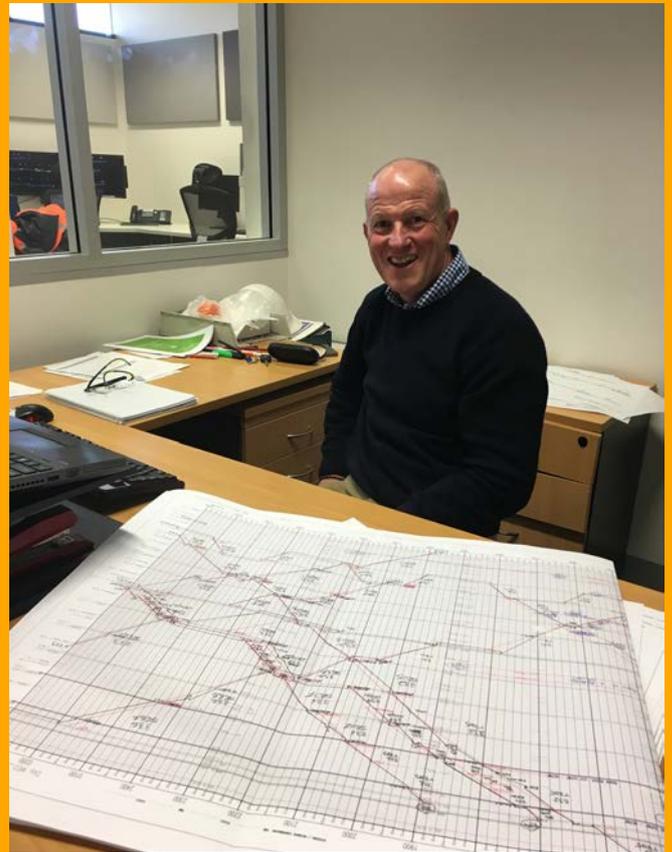
TasRail's Garry Cummings has been employed in the Tasmanian Rail Industry for 37 years. In that time he has worked in a variety of roles including as a Train Driver, Operations Manager and Train Controller.

Currently TasRail's Network Access Manager, Garry is responsible for a team of ten that work in the 'central nervous system' of operations to ensure a safe working system to protect and control all movements of people, equipment and assets across the Tasmanian Rail Network. He is also responsible to manage radio communications, the rostering of Train Drivers and the car plan to transport them to pre-determined locations for shift changes.

Garry says every day is different which means a Train Controller needs to be adaptive, highly organised with exceptional time management. He says prerequisite competencies include communicating with precision, having an analytical mind and to always be thinking at least eight hours in advance.

Issues such as extreme weather events, track obstructions, acts of vandalism to track or signals, a train timetable or crew rostering change can disrupt the whole train plan. This triggers a range of actions and revisions to schedules that can affect the movement and timing of services, crewing and their transport etc.

One of the more surprising issues encountered during the 2017-18 year was the sighting of a seal resting on the track near Ulverstone.



'We are extremely fortunate that as a result of the progressive upgrade of the freight rail network, combined with investment in the new TR class fleet of locomotives and the latest Automated Network Control System, TasRail is now a much safer and more reliable operator. As a result we are experiencing substantially fewer disruptions to our daily master plan.'

Garry Cummings
Network Control Manager



'Rail is proving to be a valuable supply chain partner for the forest industry, with TasRail successfully commencing new services for plantation timber on rail during the first half of 2018'.

*Neale Tomlin
Executive Manager Corporate Relations and Strategic Development*

ABOVE RAIL

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

The Above Rail team is responsible for operating freight terminals, bulk handling, storage, shiploading services. It also manages train services and rollingstock fleet operations, as well as safe and authorised access to the Tasmanian Rail Network.

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

TasRail is focused on exceeding the expectations of our customers by:

- 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.

Substantial improvements to the Tasmanian Rail Network delivered through TasRail's IIP works, as well as a renewed focus on cementing long-term strategic partnerships with customers, have enabled the Above Rail business to achieve its first profit since the Company's inception in 2009.

TasRail hauled a record 3.36 million tonnes of freight in 2017-18, an increase of 10.5 per cent on the previous year.

While strong growth was recorded in the log and general intermodal sectors, other freight volumes were lower than forecast during the financial year, influenced by industry output.

TOTAL NET TONNE KILOMETRES

2017-18	488,515,583
2016-17	472,896,218
2015-16	442,845,844

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

SHIPLOADING

Shiploading volumes have increased by 17 per cent since 2015-16. However, total volumes for 2017-18 were slightly down compared to the previous year. This is because in 2016-17 TasRail was able to secure some opportunistic volumes that were available to the market on a short-term basis.

The shiploader is critical infrastructure that is able to direct load a range of different bulk commodities received at TasRail's bulk handling facility by both road and rail. Demand for these services is forecast to increase with renewed interest and a number of new developments being generated by a resurgent West and North West Coast mining industry.

A new shiploader to replace the existing 50-year old asset is one of TasRail's priorities to ensure the support and ongoing sustainability of Tasmania's export-focussed minerals sector.

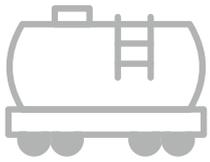
TOTAL SHIPLOADING TOTALS

2017-18	463,462 tonnes
2016-17	496,808 tonnes
2015-16	396,483 tonnes

'Tasmania's resurgent mining sector is generating new opportunities for TasRail and it is heartening that this important industry considers rail as pivotal to its triple bottom line'.

*Stephen Kerrison
Chief Operating Officer*





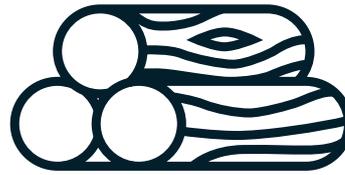
**RECORD
3.36
MILLION
TONNES
FREIGHTED
OVER THE YEAR**



7%
GROWTH IN GENERAL
INTERMODAL FREIGHT NTK



**PLANTATION
WOOD
HAULED ON
RAIL FOR THE
FIRST
TIME**



24%
GROWTH
IN LOG NTK



10.5%

**INCREASE IN
THE ANNUAL
FREIGHT
TONNAGE TASK**

ROLLINGSTOCK ASSET UTILISATION

TasRail's innovative team worked hard during 2017-18 to further optimise its rollingstock assets to ensure additional freight could be hauled more safely, efficiently and effectively.

No new wagons or locomotives were purchased during the financial year.

A total of eight retired QL intermodal wagons were modified into TFAF log wagons and a total of two IB intermodal wagons were taken out of service.

One retired 2000 class locomotive was converted into a driving van (DV2) for the cement train operations.

2017-18	25 locomotives	19,540,623 NTK per locomotive
2016-17	25 locomotives	19,201,848 NTK per locomotive
2015-16	24 locomotives	18,451,910 NTK per locomotive

2017-18	312 wagons	1,565,755 NTK per wagon
2016-17	306 wagons	1,568,778 NTK per wagon
2015-16	267 wagons	1,658,599 NTK per wagon

LOCOMOTIVE KILOMETRES

The total amount of kilometres travelled by TasRail locomotives on the Tasmanian Rail Network in 2017-18 increased by 56,421 representing a 3.6 per cent productivity increase.

2017-18	1,617,571 kilometres
2016-17	1,561,150 kilometres
2015-16	1,444,830 kilometres



ABOVE RAIL

TasRail is the preferred logistics supply chain partner for some of Tasmania’s most important industries and major employers that produce zinc, paper, logs, cement, coal, mineral ores and general freight forwarders. The buoyant economy and strong business confidence resulted in general intermodal volumes growing by seven per cent year on year. This is an excellent result and was largely achieved by hauling the additional volumes on existing services. TasRail works in partnership with freight forwarders and road transport operators to seek further commercial opportunities that leverage the natural advantages of both modes.

The forest industry in Tasmania is also performing strongly and TasRail is experiencing increased demand for its services between Brighton and Bell Bay, up 24 per cent year on year.

TasRail now has three forestry customers and operates a daily service to Bell Bay. The addition of plantation logs in June 2018 marked an important milestone for TasRail, hauling this commodity on rail for the first time. TasRail sees strong growth potential and will continue to work with the forest sector to secure additional volumes.

TasRail has partnered with experienced local companies skilled in lifting and loading services at both its George Town and Brighton terminals. These arrangements are proving very efficient and enable TasRail to expand its service offerings to customers while retaining a focus on its core activities.

TOTAL FREIGHT TASK 2017-18 NET TONNE KILOMETRES

Commodity	2017-18 NTK	2016-17 NTK	Percentage change year on year
Coal	42,601,177	44,863,564	-5
Cement	25,976,894	28,136,132	-8
Mineral Concentrates	22,810,917	22,923,272	-
Logs	23,989,688	19,285,427	24
General Intermodal	246,889,952	229,820,283	7
Paper	126,246,955	127,867,540	-1
Total	488,515,583	472,896,218	3



SNAPSHOT / UNDERFLOOR WHEEL LATHE



TasRail's South Burnie Wheel Management Centre was officially opened on 25 August 2017.

The \$5.5 million underfloor wheel lathe replaced a 40-year-old above ground lathe located at East Tamar. This innovative and highly efficient technology enables wagons and locomotives to be moved over the lathe pit by a remote-controlled electric shunter so the wheels remain on the rollingstock throughout the re-profiling process.

The previous system required the 1680 wheel sets on TasRail's locomotives and rollingstock to be removed manually for re-profiling once a year. This resulted in each locomotive being out of service for approximately six days.

The new precision German technology reduces the time each locomotive is out of operation from six days to one, resulting in improved efficiencies, enhanced service reliability and reduced maintenance costs.

Wheel wear is expected to improve by up to 30 per cent.

TasRail launched a competition to name the ES 600 Hegenscheidt battery-powered shunter, which was won by Sally Rossiter of Greens Beach who suggested "Bunter the Shunter". The name was in recognition of former Tasmanian locomotive driver, the late Peter Shaw, who was nicknamed by his rail colleagues as Billy Bunter or Bunter.



'This is a wonderful tribute to a man who was very passionate about Tasmania's rail industries and I am sure he would be thrilled to be recognised in this way'.

*Sally Rossiter
Greens Beach Resident*

INFRASTRUCTURE INVESTMENT PROGRAM

TasRail is currently delivering Tranche One of the Tasmanian Freight Rail Revitalisation Program (TFRRP), jointly funded by the Tasmanian and Australian Governments, under the Infrastructure Investment Program (IIP).

This \$119.6 million program of works is focused on reducing single points of failure to underpin a fit-for-purpose Tasmanian Rail Network, enabling TasRail to deliver freight in a safe, timely, efficient and reliable manner on behalf of its highly-valued customers.

In 2017-18 the Tasmanian and Australian Governments committed to Tranche Two of the TFRRP, recognising the integral role rail plays in the State's freight transport system, enabling existing industry to expand and new industry to establish.

Over the past 12 months TasRail has completed many challenging projects including the Coastal Erosion and Landslip works along the pristine North West Coast between Ulverstone and Penguin.

Extensive stakeholder engagement was undertaken, including engaging an expert in penguin habitats and behaviours to advise on the protection of penguin colonies located along the coastline. On one site where it was likely penguins were nesting, each burrow was checked for occupancy prior to excavation. Any penguins found were carefully relocated and small nesting boxes were provided.

Innovative solutions to long-standing embankment and track formation issues were implemented on the South and Western Lines. This resulted in significantly improved reliability, reduced maintenance and the removal of a long-standing temporary speed restriction.

The TasRail team is proud to be delivering the IIP projects on time and on budget in partnership with highly-skilled and capable local contractors.



'TasRail continues to diligently plan, schedule and deliver this critical program of works safely, on time, on budget and in a sustainable manner. Seeing these significant projects revitalise the Tasmanian Rail Network is very rewarding and adds value to the TasRail business proposition'.

*Gilbert Ness
Infrastructure Investment Program Manager*



REPLACEMENT OF
56,468
SLEEPERS



11
LEVEL
CROSSING
SURFACE
RECONSTRUCTIONS



SLIP/COASTAL
EROSION
REPAIRS
11
SITES



MORE
THAN
2,721
TRACK WELDS



18 CULVERTS
REHABILITATED



47,866 METRES OF RAIL
REPLACED



2 BRIDGE
UPGRADES



TAMPING OF
40,675
METRES
OF TRACK



Examples of key infrastructure investment program works completed in 2017-18 include:

- ✓ Solutions to long-standing embankment and track formation issues on the South and Western Lines
- ✓ Completion of Coastal Erosion and Landslip works along the North West Coast
- ✓ Replacement of the Elizabeth River Rail Bridge at Campbell Town
- ✓ Critical track upgrades across the network including renewal of formation and track ballast.
- ✓ Bridge and culvert renewals and level crossing surface reconstructions

'Ongoing investment in the Tasmanian Freight Rail Network is creating jobs and boosting local economies. Importantly it is also underpinning renewed industry confidence in rail as a safe and reliable mode of transport'.

*Karen van der Aa
Chief Financial Officer (Interim)*

SNAPSHOT / ELIZABETH RIVER BRIDGE REPLACEMENT

During Easter 2018, rail operations on the South Line were temporarily suspended for 70 hours to enable a new, contemporary designed rail bridge to be constructed over the Elizabeth River at Campbell Town.

The original 28 metre long, five span bridge was a priority renewal project for Tranche One of the Infrastructure Investment Program. The original asset had reached a point where ongoing maintenance was uneconomic.

VEC Civil Engineering successfully tendered for the works and constructed the 26 bridge pre-cast concrete components at its Ulverstone facility. More than 390 tonnes of concrete were used to manufacture these components.

The new bridge has been engineered to comprise only two spans, and is expected to have an asset life of one hundred years.

Some of the benefits of the new design include:

- improved hydrolic capacity
- enhanced environmental flows
- reduced potential for debris build-up during flood events
- asset reliability
- reduced ongoing maintenance costs
- safe train operations

The project works comprised three in-situ, concrete pours for the footings and additional pours for the fill between the existing abutments. New panels and a new steel walkway to accommodate the access needs of authorised rail personnel were also constructed as part of the project.

TasRail's contractor is to be commended for completing the works on time and free of any safety incident. This ensured there was no delay to customer services or impact to train schedules.

'There is no doubt that committing to the replacement of a rail bridge within such a very tight deadline is challenging, but we accept that it's necessary to get the job done safely within the available window in order to prevent disruption or delays to TasRail's freight rail operations'.

*Lincoln Bromwich
General Manager VEC Civil Engineering*



'By operating the Below and Above Rail segments as a vertically integrated business, TasRail is able to schedule its resources to deliver a fit for purpose network that meets the specific safety, reliability and transit requirements of our customers. This results in less duplication of resources and more efficient maintenance and investment outcomes'.

*Rhys Prestidge
General Manager Asset Management*

BELOW RAIL

The Below Rail business segment is the maintenance division of TasRail. It is responsible to maintain the Tasmanian Rail Network and all of the associated infrastructure including bridges and culverts, tunnels, rail formation and level crossings. The team is also responsible to maintain TasRail's land tenure that comprises both operational and non-operational rail corridors and spans more than 850 kilometres. In addition to scheduled vegetation maintenance works, TasRail is also required to ensure that the line of sight is clear at all level crossings.

TasRail maintains the operational network in accordance with Track Engineering Standards that are consistent with industry best practice. This includes the routine physical inspection of the infrastructure to identify any non-compliance with the Track Standard which provides for the early detection and mitigation of risk. Track geometry trolleys are used by Track Inspectors to enhance the effectiveness of these frequent inspections.

TAMPING

Tamping is fundamental to maintaining good track condition.

For the 2017-18 financial year, TasRail's Asset Management team tamped a total of 166 track kilometres consistent with target.

Tamping is the process whereby a specialist track resurfacing machine is used to 'lift and line' the track for the purpose of restoring the correct track geometry. Tamping is generally undertaken as part of the regular maintenance cycle. It is also carried out following track renewal or upgrade works.

Tamping activity	2017-18 kilometres	2016-17 kilometres
TasRail	166	135
IIP	41	66

TEMPORARY SPEED RESTRICTIONS

A Temporary Speed Restriction (TSR) is a risk prevention measure to protect the safety of the network.

A TSR may be applied to a section of track following detection of an issue on the track such as a non-compliant track geometry reading or fault. Other examples where a TSR may also be applied include hot or extreme weather conditions with potential to create tensile stress; reports of rail trespass or livestock on the track; and following a public safety incident on the network or at a level crossing.

TasRail reported a reduction in the percentage of the operational network under TSR as at 30 June 2018.

Percentage of the Network with TSR	
As at 30 June 2018	10.47
As at 1 July 2017	11.84

TRACK GEOMETRY MEASURING SYSTEM

During the second quarter of 2018 TasRail introduced a new track geometry measurement system (UTGMS) to assist with the early detection of defects.

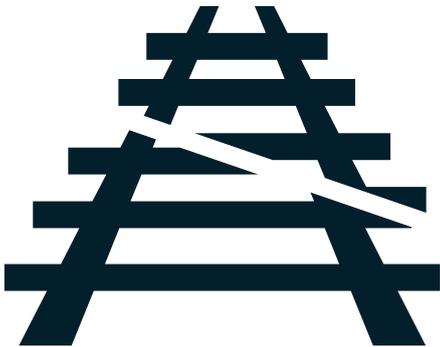
In a first for Tasmania, new laser based technology has been fitted to a TasRail intermodal wagon that operates across the network to measure track geometry under loaded conditions. The equipment calculates track twist and inspects and records the type of rail and its wear status. The data is analysed to determine track quality.

Up until April 2018, TasRail engaged a mainland contractor to undertake its track geometry measurements on a regular basis, utilising a hi-rail truck that operated on the tracks.

With ready access to the Track Geometry Wagon, TasRail now has to flexibility to conduct more frequent track recording and rail inspection runs. This will be particularly effective during periods of extreme weather temperatures that effect track condition, such as the January 2018 heat wave.



BELOW RAIL



BUCKLES (Mainline)

2017-18	42
2016-17	19
2015-16	54



BROKEN RAIL (Mainline)

2017-18	7
2016-17	18
2015-16	15



BROKEN RAIL (Yard)

2017-18	2
2016-17	0
2015-16	4

TRACK/INFRASTRUCTURE IRREGULARITIES

Steel contracts at low temperatures and expands at high temperatures. In extreme cold, a length of continuously welded rail (CWR) suffers tensile stress which can cause the rail to fracture (broken rail). In extreme heat, CWR suffers compressive stress which can cause the rail to buckle. Other factors that affect CWR condition and the risk of buckling include the stress free temperature of the rail; the condition and profile of the track ballast; the type and placement of the sleepers; the rail stiffness (weight); track consolidation and track geometry.

Rail age and weld age are the primary underlying cause of rail breaks. Ultrasonic testing of the rail is undertaken to detect internal rail defects that may develop into breaks. In the longer term, reducing the age profile of rail and welds and improvements to the quality of new welds will help to reduce the frequency of broken rails.

TRACK QUALITY INDEX

	Mar-18	Jul-17	Mar-18	Jul-17	Mar-18	Jul-17	Mar-18	Jul-17
	Percentage of line rated Good		Percentage of line rated Fair		Percentage of line rated Poor		Percentage of line rated Very Poor	
Western Line	72.65	74.93	22.76	20.09	4.42	4.36	0.17	0.62
South Line	63.79	55.78	29.05	34.60	6.48	8.82	0.68	0.80
Melba Line	67.41	64.67	27.15	28.97	5.26	6.17	0.18	0.19
Bell Bay Line	40.73	47.46	42.02	39.31	15.41	11.96	1.83	1.27
Fingal Line	74.91	72.97	19.26	19.79	5.12	6.18	0.71	1.06
Derwent Valley Line (Bridgewater to Boyer)	38.06	49.62	44.03	38.35	16.42	10.53	1.49	1.50

The data used to derive the above Track Quality Index was generated by a third party owned measurement system equipped to a hi-rail Geometry Truck. Since April 2018 track geometry has been measured by the unattended track geometry measurement system (UTGMS) but at the time of writing this report the UTGMS data for the Track Quality Index was not available for the period 1 April to 30 June 2018. However, review of the initial data indicates it will be comparable to the hi-rail based system.

OUR COMMUNITY

COMMUNITY-BASED SAFETY INCIDENTS

TasRail continues to work proactively with farmers, landowners, trackside residents and local councils to address community concerns, as well as issues that affect TasRail operations:

		2017-18	2016-17	2015-16	2014-15
	Level crossing failure to stop or give way	72	76	123	94
	Level crossing collisions	1*	1	1	1
	Trespass	69	43	67	85
	Vandalism and theft	72	55	52	48
	Livestock in the rail corridor	122	64	86	95
	Animal collisions with trains	20	10	32	40

*One level crossing collision was reported for 2017-18 when a motorist failed to stop at a level crossing (Westbury). The motorist was lucky to escape with no physical injury and only minimum damage to the side of his vehicle.



RAIL SAFETY

TasRail actively engages with key stakeholders through targeted campaigns such as Rail Safety Week, ensuring critical messages about obeying level crossing signals and signs, as well as not trespassing in the rail corridor, are communicated as widely as possible.

TasRail's Operating Procedures require the train horn to be sounded twice per level crossing for a duration of one second each time – once on near approach to the crossing, and once prior to entering the level crossing. The procedures mandate the Low Note be applied between the hours of 10pm and 6am. It should be noted the procedures are minimum requirements only, with the train driver authorised to sound the horn at any time he/she perceives there to be a potential danger.

TasRail acknowledges that the sound of the train horn at night is a concern for a minority of people who choose to live near a railway line. However, the safety of rail operations and the general public must be a priority.

TRAIN HORN COMPLAINTS

2017-18	21
2016-17	20

SNAPSHOT / CLEAN-UP DAY

TasRail prides itself on a proactive and positive relationship with members of the Tasmanian community, whether through the sponsorship of key events, supporting our customers, promoting rail safety, or providing timely and accurate communications about TasRail activities.

This year TasRail organised a Clean Up the Rail Corridor event in conjunction with Clean Up Australia Day. An enthusiastic gathering of one hundred volunteers including TasRail employees, contractors and community members gave up their Saturday for the initiative. The team collectively removed almost two tonnes of rubbish and debris from the Bell Bay Rail Corridor that runs through Launceston’s Northern Suburbs.

Heavy earth moving equipment was also deployed over several days to clear away abandoned cars and larger household goods including washing machines that had been dumped in the rail corridor.

A new fence was also erected as part of the initiative.

TasRail continues to work with the Northern Suburbs Community and the Launceston City Council to monitor and maintain this rail corridor.



CORRIDOR LAND MANAGEMENT

TasRail is responsible for the management of some 850 kilometres of land corridors, including terminals, depots and sidings. The Company diverts a percentage of its track maintenance budget for the implementation of a prioritised program of land management activities across both the operational and non-operational network. This provides for a bi-annual spray and slashing program of the corridor, with targeted weed eradication initiatives scheduled on a prioritised basis.

VEGETATION COMPLAINTS

2017-18	31
2016-17	80

SNAPSHOT / PARTNERSHIP WITH BEACON

TasRail launched a three-year partnership with the Beacon Foundation in October 2017, focused on empowering Tasmanian students to be the best they can be as they transition from education to the workforce.

As part of the program, TasRail is managing a range of activities within Beacon's collaborative education program in schools, including mentoring, workplace experience, careers on wheels and job chats to highlight the vast range of career opportunities available to Tasmanian school leavers through the rail industry.

During 2017-18 students toured TasRail terminals around the State, meeting with locomotive drivers, rail operators, rollingstock maintainers, managers and others to discuss career choices and daily work tasks.



At the launch held at TasRail's Brighton terminal, Beacon State Manager Nick Probert said it was an invaluable opportunity for students to have direct interaction with a busy and productive workplace, as well as meet members of the TasRail team who shared their career progression stories.

TasRail CEO Steven Dietrich congratulated the Beacon Foundation on the outstanding results achieved in assisting young Tasmanians transition from education to meaningful employment.

TOURIST AND HERITAGE RAIL

TasRail welcomes and supports State Government policy to encourage new opportunities for tourist and heritage rail operators seeking access to operational and/or non-operational lines. A third party operator now has the option to seek access to a non-operational line and to operate under its own rail safety accreditation as per the Strategic Infrastructure Corridors (Strategic and recreational Use) Act 2016; or alternatively to apply to TasRail for a Network Access Agreement (NAA) to access an operational line. Under the NAA, TasRail is responsible for the Below Rail operation and accreditation with the applicant responsible for its own Above Rail safety accreditation. These pathways provide clarity and transparency for third parties with the resources and capacity required to operate a railway in Tasmania.

Throughout 2017-18 TasRail continued to work co-operatively with tourist and heritage rail organisations in Tasmania.

Activities include the sharing of information, knowledge and in-kind assistance as well as the donation of redundant assets in accordance with TasRail's Disposal of Assets Policy and Procedures. Examples of donations provided in 2017-18 include the following:

- Donation of sleepers and machinery to Don River Railway;
- In-kind assistance to Tasmanian Transport Museum Society;
- Reservation of sleepers for the Launceston North East Railway; and
- Provision of a Track Inspector and Hi-Rail for three days at no cost to support the Derwent Valley Council's independent condition assessment of the Derwent Valley Line.



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 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 an Audit and Risk Committee that assists the Board to discharge its duties in relation to its corporate and financial reporting processes, internal and external audit, and compliance. The Committee reviews the Company's financial statements and associated reports and recommends them to the Board for consideration. As part of the end-of-year processes, the Committee ensures the CEO and CFO provide the required declarations under S295A of the *Corporations Act* and formally sign the accounts before it makes any recommendations to the Board. The TasRail Constitution provides that the Company is required to use the Tasmanian Auditor-General for its external audit. Members confirm the appointment of the external auditor at each Annual General Meeting. The auditor attends the Annual General Meeting to discuss any issues with members. The Audit and Risk Committee also meets with the external auditor without management present from time to time. TasRail's Annual Reports are provided to Shareholders by the end of October each year. The Reports are tabled in each House of the Tasmanian Parliament and are 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 36 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 Audit and Risk Committee. This Committee assists the Board to discharge its duties by reviewing and supplementing the reports provided by the Executive Team, monitoring the strength and reliability of the framework and reporting to the Board on the status of risk in the Company. TasRail provides 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 Nomination 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) One disclosure was made to TasRail during the year. Following assessment of the matter, it was found the disclosure was not supported by the evidence on which it was based. As the disclosure did not show, or tend to show, that a public officer had engaged, or is engaging in improper conduct, or that detrimental action had occurred, it was determined not to accept the disclosure as a public interest disclosure. The disclosure, including a summary of TasRail's actions leading to its decision not to accept the disclosure was reported to the Ombudsman who confirmed he was satisfied that TasRail's decision was appropriate. The review decision by the Ombudsman completed this matter in terms of action under the PID Act.
- (c) No Public Interest Disclosure was investigated by TasRail during the year.

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

RIGHT TO INFORMATION

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

During 2017-18, TasRail received no Right to Information requests.

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

PERSONAL INFORMATION PROTECTION

TasRail values and respects the privacy of all personal and sensitive information. The Company is committed to protecting the information it collects, stores, handles, uses and discloses in accordance with the requirements of the *Personal Information Protection Act 2004 (Tas)*, which prescribes Personal Information Protection Principles for Tasmania, as well as the National Privacy Principles prescribed under the *Privacy Act 1988 (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 2017-18 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 table below excludes employment and finance expenses and depreciation.

Buy Local performance	2017-18 (\$)
Value of Purchases from Tas Businesses	41,102,747.07
Percentage of purchases from Tasmanian Businesses	69.21

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

PAYMENT OF ACCOUNTS

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

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

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

Accounts due or paid within 2017-18	
Number of accounts due for payment	10,417
Percentage of accounts paid on time	99.9
Amount due for payment	\$57,751,998
Amount paid within agreed timeframes	\$57,751,914
Number of payments for interest on overdue accounts	1
Interest paid on overdue accounts	\$1



Unaudited financials - exclusion of capital program on reported operating results	2018 (\$'000)	2017 (\$'000)
Loss from continuing activities	(25,168)	(31,718)
Add back impairment expense	32,020	42,923
Less grant income for capital works	(15,757)	(21,523)
Loss from operating activities (excluding capital program)	(8,905)	(10,318)

The Financial Statements outline the accounting treatment prescribed for the grant revenue received from both the Australian and Tasmanian Governments. This results in capital grant income recorded as both income in the Statement of Profit and Loss and as an equity contribution, whilst the full amount of the impairment of the assets is recognised in the Statement of Profit and Loss. The table above (unaudited) reconciles the reported loss from operations and adjusted for those capital items recorded in the Income Statement to provide a loss from operating activities excluding the capital program in 2018 of \$(8,905,000), an improvement of 13.7 per cent from the 2017 result.

CONTRACTORS

There were a number of contracts let in 2016-17 and some of that commitment carried to this financial year. Additionally, TasRail has awarded contracts in the 2017-18 year that have commitment values into the next financial year. Individual contracts awarded in the 2017-18 financial year were as follows:

Contracts valued over \$5 million

Contract works package	Procurement method	Buy local policy applied	Contractor	Contractor State of operations
Nil				

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

Contract works package	Procurement method	Buy local policy applied	Contractor	Contractor State of operations
IIP Coastal Erosion and Slip Works	Open tender	Yes	Shaw Contracting Pty Ltd	Tasmania
IIP Melba Line Welding and Track Works	Open tender	Yes	VEC Civil Engineering Pty Ltd	Tasmania
IIP Bell Bay, Fingal and Western Line Track Works	Open tender	Yes	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
Biarri Optimisation	QLD	Detailed train design module	Dec 17 - Jun 18	\$337,741
Pitt and Sherry	TAS	Engineering advice - wheel lathe, flood	Jul 17 - Jun 18	\$320,057
GHD Pty Ltd	TAS	Remediation design, site investigation	Jul 17 - Jun 18	\$305,258
Opus International	VIC	IIP2 advice and quality assurance	Jul 17 - Apr 18	\$176,057
Impact Solutions International	TAS	Leader development and training	Jul 17 - Jan 18	\$136,592
PDA Surveyors	TAS	Surveying, engineering and planning	Jul 17 - Jun 18	\$ 87,093
Advisian Pty Ltd	NSW	Engineering advice	Nov 17 - May 18	\$65,817
Sub Total				\$1,428,615
There were 28 Consultants engaged for \$50,000 or less totalling				\$451,622
Total Payments to Consultants for 2017-18				\$1,880,237



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F 03 6335 2636
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Hon. Jeremy Rockliff
Gutwein
Minister for Infrastructure
Member, Tasmanian Railway Pty Ltd
Level 10, 15 Murray Street
HOBART TAS 7000

Hon. Peter
Treasurer
Member, Tasmanian Railway Pty Ltd
Salamanca Place
HOBART TAS 7000

Dear Shareholder Members

Statement of Compliance - TasRail Annual Report 2017-18

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

In accordance with section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament the Annual Report of Tasmanian Railway Pty Ltd (TasRail) for the period 1 July 2017 to 30 June 2018.

The Annual Report has been prepared in accordance with the provisions of the *Government Business Enterprise Act* and the *Rail Company Act 2009*.

Signed in accordance with a resolution of Directors.

Yours sincerely

Samantha Hogg
Chairman

Janine Healey
Non Executive Director

10 October 2018





SAFETY / INTEGRITY / LEADERSHIP / TEAMWORK / RESPONSIBILITY / EXCELLENCE / INNOVATION

FINANCIAL REPORT

30 June 2018

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DIRECTORS' REPORT

The Directors present their report together with the financial report of Tasmanian Railway Pty Limited ("the Company") for the financial year ended 30 June 2018 and the Independent Auditor's Report thereon.

1. DIRECTORS' REPORT

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

Name and independence status	Special responsibilities and other directorships
<p>Samantha Hogg Independent Non-Executive Director, Chairman Appointed 10 August 2015 Appointed Chairman from 6 December 2017</p>	<p>Chairman, Governance and Nomination Committee from Mar 2018 Chairman, Governance and Remuneration Committee Dec 2017 – Feb 2018 Chairman, Strategy and Risk Management Committee Jul 2017 – Dec 2017 Member, Governance and Remuneration Committee Jul 2017 – Dec 2017 Member, Finance, Audit and Compliance Committee Jul 2017 – Aug 2017 Chairman, Tasmanian Irrigation Director, Hydro Tasmania Director, MaxiTRANS Member, Australian Renewable Energy Agency Board</p>
<p>Stephen Cantwell Independent Non-Executive Director Appointed 1 December 2016</p>	<p>Chairman, Safety and Environment Committee Member, Governance and Remuneration Committee Jul 2017 – Feb 2018 Member, Audit and Risk Committee (formerly Finance, Audit and Compliance Committee) Member, Governance and Nomination Committee from Mar 2018 Director, Port of Brisbane Pty Ltd Director, Queensland Rail Pty Ltd (QR)</p>
<p>Ian Dobbs Independent Non-Executive Director Appointed 1 July 2017</p>	<p>Chairman, People and Remuneration Committee Mar 2018 – Jun 2018 Chairman, Strategy and Risk Management Committee Jan 2018 – Feb 2018 Member, Safety and Environment Committee Member, Governance and Nomination Committee Mar 2018 – Jun 2018 Member, Governance and Remuneration Committee Jul 2017 – Feb 2018 Member, Strategy and Risk Management Committee Jul 2017 – Jan 2018 Chairman, International Association of Public Transport (UITP) Australia and New Zealand Vice President and Member of Executive Board, International Association of Public Transport (UITP) Brussels 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>
<p>Janine Healey Independent Non-Executive Director Appointed 1 July 2017</p>	<p>Chairman, Audit and Risk Committee (formerly Finance, Audit and Compliance Committee) Dec 2017 – Jun 2018 Member, Finance, Audit and Compliance Committee Jul 2017 – Nov 2017 Member, Governance and Remuneration Committee Jul 2017 – Feb 2018 Member, Safety and Environment Committee Jul 2017 – Feb 2018 Member, People and Remuneration Committee Mar 2018 – Jun 2018 Member, Governance and Nomination Committee Mar 2018 – Jun 2018 Director, Football Federation of Tasmania Member and Treasurer, Launceston Chamber of Commerce Member of State Divisional Council, Member of the National Reporting Committee and President, Australian Institute of Company Directors</p>

Name and independence status	Special responsibilities and other directorships
<p>Philip Mussared Independent Non-Executive Director Appointed 6 December 2017</p>	<p>Member, Governance and Remuneration Committee Dec 2017 – Feb 2018 Member, Audit and Risk Committee (formerly Finance, Audit and Compliance Committee) Mar 2018 – Jun 2018 Member, Safety and Environment Committee Mar 2018 – Jun 2018 Member, People and Remuneration Committee Mar 2018 – Jun 2018 Member, Governance and Nomination Committee Mar 2018 – Jun 2018 Chair, Tasmanian Traineeships and Apprenticeships Committee Director, Hobart International Airport Pty Ltd Director, Tasmanian Gateway Holdings Corporation Pty Ltd Director, Tasmanian Gateway Property Corporation Pty Ltd Director, Tasmanian Gateway Corporation Pty Ltd Director, National Trust (Tasmania) Vice-President, Australian Risk Policy Institute Associate Director, TFG International Pty Ltd Director, MyWhiskyJourneys Pty Ltd Director, Canberra Investment Services Pty Ltd Member, Regional Advisory Committee, Institute of Management and Leadership (formerly AIM) Member, Tasmanian Heritage Council</p>
<p>Robert Annells PSM Independent Non-Executive Director, Chairman Appointed 23 November 2009 to 6 December 2017</p>	<p>Chairman, Governance and Remuneration Committee until Dec 2017 Chairman, Melbourne Convention Centre and Exhibition Trust</p>
<p>Sarah Merridew Independent Non-Executive Director Appointed 17 December 2009 to 30 November 2017</p>	<p>Chairman, Finance, Audit and Compliance Committee Jul 2017 - Nov 2017 Member, Strategy and Risk Management Committee Jul 2017 - Nov 2017 Member, Governance and Remuneration Committee Jul 2017 - Nov 2017 Director, Royal Flying Doctor Services Tasmania</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 2018 are:

Director	Board		Meetings of committees									
			Audit		Strategy		Governance		Safety		People	
	A	H	A	H	A	H	A	H	A	H	A	H
Samantha Hogg Appointed Chairman from 6 December 2017	8	8	1	1	2	2	5	5	-	-	-	-
Stephen Cantwell	8	8	6	6	-	-	5	5	4	4	-	-
Janine Healey	8	8	6	6	-	-	5	5	2	2	1	1
Ian Dobbs	8	8	-	-	2	2	5	5	4	4	1	1
Philip Mussared	4	4	3	3	-	-	2	2	3	3	1	1
Robert Annells PSM Chairman until 6 December 2017	4	4	-	-	-	-	3	3	-	-	-	-
Sarah Merridew	4	4	3	3	1	1	3	3	1	1	-	-

Board = Full meetings of Directors

Audit = Finance Audit and Compliance Committee until February 2018, now Audit and Risk Committee

Strategy = Strategy and Risk Management Committee, Strategy absorbed to Board function on 6 February 2018. Risk component forms part of Audit and Risk Committee

Governance = Governance and Remuneration Committee until 6 February 2018, now Governance and Nomination Committee

Safety = Safety and Environment Committee

People = People and Remuneration Committee

A = Number of meetings attended

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

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

2. PRINCIPAL ACTIVITIES

TasRail 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 1800's 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 rail freight network in Tasmania. In addition, the Company owns and operates the Burnie bulk storage and shiploader facility.

OPERATING RESULT

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

For the year ended 30 June	2018 (\$)	2017 (\$)
Net loss after tax before comprehensive income was	25,165,000	31,797,000
After:		
- grant income for capital works of	15,757,000	21,526,000
- an impairment expense of	32,020,000	42,923,000
- depreciation and amortisation expenses of	9,082,000	8,938,000

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. The total amount received in 2017-18 was \$15,000,000 (2017: \$20,400,000).

- 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:

For the year ended 30 June	2018 (\$)	2017 (\$)
Below Rail net loss before income tax of	(25,612,000)	(29,419,000)
After:		
- impairment, depreciation and amortisation expenses of	35,753,000	46,541,000
Above Rail net profit (loss) before income tax of	444,000	(2,299,000)
After:		
- depreciation and amortisation expenses of	5,349,000	5,320,000

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

4. ENVIRONMENTAL REGULATIONS

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation. The primary legislation is the *Environmental Protection Act 1994*. No breaches of the above-mentioned legislation were notified 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 2018. 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. The Tasmanian and Australian Governments have committed in their most recent budget papers a further investment of \$119,600,000 over four years following completion of the current tranche at 30 June 2019. Planning is underway to develop the scopes and relevant formal approvals.

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 2017, the Company has paid insurance premiums in respect of insurance contracts for Directors' and officers' liability and legal expenses, for current Directors and officers, including senior executives of the Company.

The insurance premiums relate to:

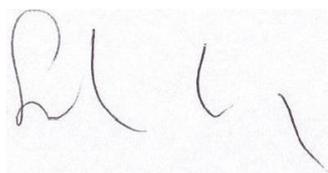
- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position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

10. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report for the financial year ended 30 June 2018.

11. ROUNDING OFF

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



Samantha Hogg

Chairman

Dated at Launceston this 7th day of August 2018.



Tasmanian
Audit Office

Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
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Phone: 03 6173 0900 | Fax: 03 6173 0999
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6 August 2018

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 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

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

Tasmanian Railway Pty Ltd
Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 (\$'000)	2017 (\$'000)
CONTINUING OPERATIONS			
Revenue from freight services	A1	33,735	32,861
Grant income for operating activities	A1	8,100	11,966
Grant income for capital works	A1	15,757	21,526
Other income	A1	1,812	4,922
Finance income		177	343
Total income		59,581	71,618
<hr/>			
Employee benefits expense	C1	(25,475)	(26,798)
Depreciation and amortisation expense	B2, B3	(9,082)	(8,938)
Impairment expense	B2	(32,020)	(42,923)
Other expenses	A2	(18,169)	(24,677)
Finance expense		(3)	-
Loss from continuing operations		(25,168)	(31,718)
<hr/>			
Taxation equivalent benefit (expense)	A3	3	(79)
Loss for the year after tax before comprehensive income		(25,165)	(31,797)
<hr/>			
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge reserve	D2	11	(262)
Tax on items that may be reclassified subsequently to profit or loss	A3	(3)	79
Total items that may be reclassified subsequently to profit or loss		8	(183)
Total comprehensive loss for the year		(25,157)	(31,980)

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

Tasmanian Railway Pty Ltd
Statement of Financial Position

As at 30 June 2018

	Note	2018 (\$'000)	2017 (\$'000)
ASSETS			
Cash and cash equivalents		6,422	18,678
Trade and other receivables	B1	5,374	5,229
Inventories	B5	10,234	10,803
Assets classified as held for sale		512	512
Other assets - cash flow hedge		-	-
Total current assets		22,542	35,222
<hr/>			
Property, plant and equipment	B2	109,863	115,990
Intangibles	B3	2,404	4,467
Total non-current assets		112,267	120,457
Total assets		134,809	155,679
<hr/>			
LIABILITIES			
Trade and other payables	B4	6,427	6,645
Deferred grant income	B4	14,168	29,926
Borrowings	B6	6,000	-
Employee benefits	C1	4,521	4,757
Total current liabilities		31,116	41,328
<hr/>			
Employee benefits	C1	899	1,400
Total non-current liabilities		899	1,400
Total liabilities		32,015	42,728
Net assets		102,794	112,951
<hr/>			
EQUITY			
Share capital	D1	387,579	372,579
Reserves	D2	6,884	6,876
Accumulated losses		(291,669)	(266,504)
Total equity		102,794	112,951

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

Tasmanian Railway Pty Ltd
Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Share capital (\$'000)	Cash flow hedging reserve (\$'000)	Asset revaluation reserve (\$'000)	Accumulated losses (\$'000)	Total equity (\$'000)
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
At 1 July 2017		372,579	(8)	6,884	(266,504)	112,951
Equity contributed	D1	15,000	-	-	-	15,000
Total comprehensive loss for the year		-	8	-	(25,165)	(25,157)
At 30 June 2018		387,579	-	6,884	(291,669)	102,794

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

Tasmanian Railway Pty Ltd Statement of Cash Flows

As at 30 June 2018

	Note	2018 (\$'000)	2017 (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		38,775	39,458
Grants received for operating activities		8,100	11,966
Payments to suppliers and employees		(47,481)	(54,187)
Cash generated from operations		(606)	(2,763)
Interest received		177	343
Interest paid		(3)	-
Net cash from/(used in) operating activities	A4	(432)	(2,420)
CASH FLOWS FROM INVESTING ACTIVITIES			
Grants received for capital works		-	29,901
Purchase of property, plant and equipment		(32,824)	(50,988)
Proceeds from sale of plant and equipment		-	138
Net cash from/(used in) investing activities		(32,824)	(20,949)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	A4	6,000	-
Repayment of borrowings		-	-
Equity contributions	D1	15,000	20,400
Net cash provided by financing activities		21,000	20,400
Net increase/(decrease) in cash and cash equivalents		(12,256)	(2,969)
Cash and cash equivalents at start of period		18,678	21,647
Cash and cash equivalents at 30 June		6,422	18,678

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 7 August 2018.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

The notes have been grouped into sections to help readers understand the financial performance and position of the Company. These sections 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 2018. 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	2018 (\$'000)	2017 (\$'000)
Revenue from freight services	33,735	32,861
Grant income for operating activities		
Tasmanian Government	8,100	11,966
Grant income for capital works		
Tasmanian Government	15,693	21,461
Australian Government	64	65
	15,757	21,526
Other income		
Sundry	1,042	4,078
Property rental	770	706
Net gain (loss) on sale of property, plant and equipment	-	138
	1,812	4,922

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	2018 (\$'000)	2017 (\$'000)
Maintenance and consumable expenses	(5,789)	(12,174)
Fuel expense	(3,641)	(3,110)
Property and lease expense	(2,196)	(2,290)
Administration expense	(3,439)	(3,612)
Other expenses	(3,104)	(3,491)
Total other expenses	(18,169)	(24,677)

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	2018 (\$'000)	2017 (\$'000)
Adjustments for prior years	-	-
Deferred tax expense:		
Origination and reversal of temporary differences:		
Increase/(decrease) in deferred tax liability	(34)	62
Decrease/(increase) in deferred tax asset	(7,502)	(9,636)
Adjustments for prior years	-	55,834
Non-recognition of temporary differences and tax equivalent losses	7,539	(46,339)
Income tax (expense)/benefit attributable to profit/(loss) before other comprehensive income	3	(79)
Tax recognised in other comprehensive income		
Tax (expense) benefit relating to cash flow hedge reserve	(3)	79
Tax (expense) benefit relating to asset revaluation reserve	-	-
Total taxation equivalent expense/benefit	-	-
Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income rate		
Loss before tax	(25,168)	(31,718)
Income tax using the domestic corporation tax rate of 30%	(7,550)	(9,515)
Increase in income tax expense due to:		
Non-deductible expenses	11	20
	(7,539)	(9,495)
Add prior year under/(over) provision	-	55,834
Non-recognition of temporary differences and tax equivalent losses	7,539	(46,339)
Total taxation equivalent expense/benefit	-	-

A - FINANCIAL PERFORMANCE

A3 Taxation (cont)

TAXATION RECOGNITION AND MEASUREMENT

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

CURRENT TAX

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

DEFERRED TAX

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

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

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018 (\$'000)	2017 (\$'000)
DEFERRED TAX ASSETS		
Employee benefits	1,716	1,953
Trade and other payables	113	62
Property, plant and equipment	54,148	47,819
Deferred grant income	4,250	8,977
Trade and other receivables	-	33
Carried forward tax losses - revenue losses	19,113	12,994
Carried forward tax losses - capital losses	518	518
Tax assets	79,858	72,356
De-recognised due to not being probable of recovery	(79,744)	(72,208)
Set-off against deferred tax liability	(114)	(148)
Net deferred tax asset	-	-
DEFERRED TAX LIABILITIES		
Inventory	61	61
Trade and other receivables	53	87
Tax liabilities	114	148
Set-off against deferred tax asset	(114)	(148)
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	2018 (\$'000)	2017 (\$'000)
Loss for the period	(25,165)	(31,798)
Adjustments for:		
Depreciation and amortisation	9,082	8,938
Impairment	32,020	42,923
Grant income for capital works	(15,757)	(21,525)
Tax expense/(benefit) relating to cash flow hedge reserve	(3)	79
Gain (loss) on disposal of property, plant and equipment	-	(138)
Operating profit before changes in working capital and provisions	177	(1,521)
Increase/(Decrease) in payables	(296)	(3,665)
Increase/(Decrease) in employee benefits	(737)	389
(Increase)/Decrease in receivables	(145)	(1,568)
(Increase)/Decrease in inventories	569	3,945
Net cash flows from operating activities	(432)	(2,420)

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

Reconciliation of liabilities from financing activities	2018 (\$'000)	2017 (\$'000)
BORROWINGS		
Opening balance	-	-
Cash flows - cash received	6,000	-

A - FINANCIAL PERFORMANCE

A5 Operating segments

The Company has elected to provide segment reporting in accordance with AASB 8 Segment Reporting. The Company determines and presents operating segments based on the information that 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.

	Year ended 30 June 2018			Year ended 30 June 2017		
Segment	Above Rail (\$'000)	Below Rail (\$'000)	Total (\$'000)	Above Rail (\$'000)	Below Rail (\$'000)	Total (\$'000)
External revenues	36,144	23,854	59,998	34,097	37,178	71,275
Inter-segment revenue	-	3,093	3,093	-	3,299	3,299
Interest revenue	65	112	177	127	216	343
Interest expense	2	1	3	-	-	-
Impairment	-	(32,020)	(32,020)	-	(42,923)	(42,923)
Depreciation and amortisation	(5,349)	(3,733)	(9,082)	(5,320)	(3,618)	(8,938)
Reportable segment profit / (loss) before income tax	444	(25,612)	(25,168)	(2,299)	(29,419)	(31,718)
Taxation expense	(3)	-	(3)	79	-	79
Reportable segment assets	108,533	19,854	128,387	115,463	21,538	137,001
Add: cash and cash equivalents not allocable to segments			6,422			18,678
Total assets			134,809			155,679
Capital expenditure	2,428	31,803	34,231	3,605	48,655	52,260

Major customers

2018
(\$'000)2017
(\$'000)

Revenue from three parties represent approximately 58.15% (2017: 50.19%) of freight services and other income as follows:

- Party 1 (freight services - Above Rail)	9,086	7,793
- Party 2 (freight services - Above Rail)	6,788	6,691
- Party 3 (freight services - Above Rail)	4,796	5,085

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	2018 (\$'000)	2017 (\$'000)
Trade receivables	4,614	4,135
Sundry receivables	184	306
Prepayments	325	505
GST receivable	251	283
Total trade and other receivables	5,374	5,229

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 days (2017: 40 days). No interest is charged on trade receivables. Trade receivables over 60 days will be provided for based on estimated unrecoverable 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 2018 is as follows:

Gross carrying amount	Leashold improvements (buildings) at cost (\$'000)	Infrastructure at cost (\$'000)	Plant equipment and 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 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

Balance at 1 July 2017	10,003	233,295	17,301	2,112	98,067	9,466	370,244
Additions	1,388	32,020	2,777	143	419	32,803	69,550
Transfers out	-	-	-	-	-	(36,640)	(36,640)
Balance at 30 June 2018	11,391	265,315	20,078	2,255	98,486	5,629	403,154

Depreciation and impairment losses

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 2017	(5,699)	(233,295)	(7,376)	(391)	(7,493)	-	(254,254)

Balance at 1 July 2017	(5,699)	(233,295)	(7,376)	(391)	(7,493)	-	(254,254)
Depreciation for the year	(936)	-	(1,998)	(206)	(3,877)	-	(7,017)
Impairment loss	-	(32,020)	-	-	-	-	(32,020)
Disposals	-	-	-	-	-	-	-
Balance at 30 June 2018	(6,635)	(265,315)	(9,374)	(597)	(11,370)	-	(293,291)

Carrying amounts

at 1 July 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
at 30 June 2018	4,756	-	10,704	1,658	87,116	5,629	109,863

B - OPERATING ASSETS AND LIABILITIES

B2 Property plant and equipment (cont)

RECOGNITION AND MEASUREMENT

Rollingstock assets are stated at fair value on the basis of an independent market valuation by external valuation experts. Allowance has been made for the estimated costs of selling and transporting these assets to potential markets. Revaluations will be performed with sufficient regularity, not exceeding a period between revaluations of five years, so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. If the rollingstock had been carried at cost, the depreciated carrying value would be \$82,829,000.

INDEPENDENT VALUATION ROLLINGSTOCK

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

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

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

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

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

DEPRECIATION

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

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

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

Class of Asset	Useful Life
Buildings	9 to 33.3 years
Rollingstock - refurbished	3 to 8 years
Rollingstock - new	25 to 30 years
Plant, equipment and motor vehicles	3 to 18 years

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

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

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

B - OPERATING ASSETS AND LIABILITIES

B2 Property plant and equipment (cont)

IMPAIRMENT

NON-FINANCIAL ASSETS

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested

individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" - CGU). The Company has two reportable segments (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	2018 (\$'000)	2017 (\$'000)
Rollingstock (refurbished)	1,658	1,721
Rollingstock (new)	87,116	90,574
	88,774	92,295

B3 Intangible assets - software

	2018 (\$'000)	2017 (\$'000)
Software - at cost	8,024	8,024
Accumulated amortisation	(5,620)	(3,557)
	2,404	4,467
Carrying amount at the beginning of the period	4,467	6,132
Additions	-	295
Amortisation	(2,063)	(1,960)
Carrying amount at the end of the period	2,404	4,467

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	2018 (\$'000)	2017 (\$'000)
Trade payables	3,183	1,489
Other trade payables	974	872
Cash flow hedge	-	11
Accrued expenses	2,270	4,273
Total trade and other payables	6,427	6,645

RECOGNITION AND MEASUREMENT

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

The average credit period on purchase of goods and services (excluding capital works) is 21.7 days (2017: 22.2 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 Instruments.

Other liabilities	2018 (\$'000)	2017 (\$'000)
DEFERRED GRANT INCOME		
Tasmanian Government capital works funding	13,431	29,125
Australian Government capital works funding	737	801
Total other liabilities	14,168	29,926

B5 Inventories

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

Inventories	2018 (\$'000)	2017 (\$'000)
Consumables and spare parts - at cost		
Rollingstock, plant and equipment	4,183	6,356
Infrastructure	5,845	4,244
Fuel stock - at cost	206	203
Total inventories	10,234	10,803

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

The cost of inventory consumed during the year was \$12,414,000 (2017: \$22,942,000).

B6 Borrowings

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

Borrowings	2018 (\$'000)	2017 (\$'000)
Loan from TasCorp	6,000	-
Total borrowings	6,000	-

C - PEOPLE

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

C1 Employee provisions

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

Employee provisions	2018 (\$'000)	2017 (\$'000)
CURRENT		
Liability for annual leave	2,871	2,994
Liability for long-service leave	1,650	1,763
	4,521	4,757
NON CURRENT		
Liability for long-service leave	899	1,400
Total employee provisions	5,420	6,157

RECOGNITION AND MEASUREMENT

SHORT TERM EMPLOYEE BENEFITS

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

LONG TERM EMPLOYEE BENEFITS

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

DEFINED CONTRIBUTION PLAN

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

C2 Director and key management personnel contribution

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

	Director remuneration		Executive remuneration		Consolidated	
	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)	2018 (\$'000)	2017 (\$'000)
Short-term employee benefits	314,451	247,955	1,734,574	1,280,321	2,049,025	1,528,276
Post-employment benefits	34,616	71,360	173,152	129,235	207,767	200,595
Other long-term employee benefits	-	-	(27,077)	98,556	(27,077)	98,556
Termination benefits	-	-	132,631	-	132,631	-
	349,067	319,315	2,013,279	1,508,112	2,362,346	1,827,427

C - PEOPLE

C2 Director and key management personnel contribution (cont)

NON-EXECUTIVE DIRECTORS

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

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

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

2018 Non-Executive Director	Directors' fees (\$)	Committee fees (\$)	Superannuation [*] (\$)	Other benefits (\$)	Total 2018 (\$)
Robert Annells PSM Chairman until 6 December 2017	49,302	-	4,684	-	53,986
Samantha Hogg Appointed Chairman from 6 December 2017	82,146	4,189	8,201	-	94,536
Stephen Cantwell	37,063	9,883	-	-	46,946
Ian Dobbs Appointed 1 July 2017	37,063	9,883	4,460	-	51,406
Janine Healey Appointed 1 July 2017	28,657	9,883	12,866	-	51,406
Philip Mussared Appointed 6 December 2017	21,353	5,694	2,569	-	29,616
Sarah Merridew Appointed until 30 November 2017	15,265	4,070	1,836	-	21,171

2017 Non-Executive Director	Directors' fees (\$)	Committee fees (\$)	Superannuation [*] (\$)	Other benefits (\$)	Total 2017 (\$)
Robert Annells PSM Chairman	111,748	-	10,616	-	122,364
David George Appointed until 30 June 2017	9,098	9,578	31,142	-	49,818
Samantha Hogg	35,918	9,578	4,322	-	49,818
Sarah Merridew	35,918	9,578	4,322	-	49,818
Stephen Cantwell Appointed 1 December 2016	20,953	5,586	-	-	26,539
Robert Neil Appointed until 30 November 2016	-	-	20,958	-	20,958

* Superannuation represents employer contributions including amounts salary sacrificed.

C - PEOPLE

C2 Director and key management personnel contribution (cont)

EXECUTIVE REMUNERATION

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

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

C- PEOPLE

C2 Director and key management personnel contribution (cont)

2017 Senior Executive	Base salaries (\$)	Short term incentive payments *** (\$)	Superannuation * (\$)	Vehicles ***** (\$)	Total Remuneration Package 2018 (\$)	Termination benefits **** (\$)	Other nonmonetary benefits (\$)	Other long term benefits ** (\$)	Total 2017 (\$)
Damien White Chief Executive Officer	299,222	-	27,761	29,976	349,959	-	-	20,055	370,014
Steven Dietrich Chief Financial Officer	237,159	17,044	24,149	12,843	291,195	-	-	26,836	318,031
Stephen Kerrison Chief Operating Officer	214,199	15,732	21,843	13,746	265,520	-	-	21,475	286,995
Bob Parton General Manager Freight Services	183,560	4,703	17,885	-	206,148	-	-	22,834	228,982
Jon Drew General Manager Asset Management	184,144	10,632	31,643	-	226,419	-	-	(84)	226,335
Alice Vujanovic General Manager People and Culture from 6 April 2017	45,548	-	4,327	-	49,875	-	-	5,807	55,682
Shannon Cox General Manager Strategy and Stakeholder Relations from 22 May 2017	17,136	-	1,627	1,677	20,440	-	-	1,637	22,073

* Superannuation represents employer contributions including amounts salary sacrificed.

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

*** Short term incentive payments are paid during the current year for achieving specified performance goals in specified timeframes in the prior year.

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

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

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

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

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and

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

The performance of each senior executive, including the CEO, is reviewed annually which includes a review of their remuneration package. The terms of employment of each senior executive, including the CEO, contain a termination clause that requires the senior executive or the Board to provide a minimum notice period of up to six months prior to termination of the contract.

Whilst not automatic, contracts can be extended. No key management personnel appointed during the period received a payment as part of their consideration for agreeing to hold the position.

SHORT TERM INCENTIVE PAYMENTS

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

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

TERMINATION BENEFITS

Termination payments during the current year included Mr S Cox. Mr Cox ceased employment effective 30 June 2018 and was paid \$132,631 representing the balance of his accrued leave entitlements (\$65,764), plus payment in lieu of notice (\$66,867).

ACTING ARRANGEMENTS

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

D - CAPITAL STRUCTURING AND FINANCING

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

D1 Capital management

The capital base of the Company has been contributed by the 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.

	2018 (\$'000)	2017 (\$'000)
Opening Balance - fully paid ordinary shares	372,579	352,179
* Equity contributed during the year	15,000	20,400
Closing balance - fully paid ordinary shares	387,579	372,579

* This is funding provided to the Company which has been formally designated as equity in accordance with the accounting policy in A1 and comprises Australian Government funds for capital works programmes of \$15,000,000 (2017: \$20,400,000).

D2 Reserves

Asset revaluation reserve - rollingstock	2018 (\$'000)	2017 (\$'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		
Opening balance	(8)	175
Effective portion of changes in fair value of cash flow hedge	11	(262)
Tax effect arising on market valuation	(3)	79
Closing balance	-	(8)
Total reserves	6,884	6,876

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.

	2018 (\$'000)	2017 (\$'000)
The ageing of trade receivables at the reporting date was:		
Not past due	4,472	3,940
Past due 0-30 days, but not impaired	109	195
Past due 31-60 days	12	-
Past due more than 60 days	21	-
Total	4,614	4,135

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:

	2018 (\$'000)	2017 (\$'000)
Financial liabilities		
Trade and other payables - payable in 6 months or less	6,427	6,645
Borrowings - payable in 12 months or less	6,000	-
	12,427	6,645

UNDRAWN FINANCING FACILITIES

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

	2018 (\$'000)	2017 (\$'000)
Corporate charge card facility	188	184
Borrowings	4,000	10,000
	4,188	10,184

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

E - ADDITIONAL INFORMATION

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

E1 Leases and capital expenditure commitments

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

	2018 (\$'000)	2017 (\$'000)
CAPITAL EXPENDITURE COMMITMENTS		
Above Rail	318	556
Below Rail	8,811	9,166
	9,129	9,722
OPERATING LEASES		
Non-cancellable operating lease rentals are payable as		
Less than one year	1,487	1,460
Between one and five years	2,445	3,290
	3,932	4,750

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 \$1,648,000 (2017: \$1,436,000) was recognised as an expense in respect of operating leases.

E2 Auditors remuneration

Audit services	2018 (\$)	2017 (\$)
AUDITORS OF THE COMPANY		
Tasmanian Audit Office		
Audit the financial report	52,810	50,770
	52,810	50,770

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 2018. 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 \$1million 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

There were no transactions with related parties.

E7 Ultimate owner

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

E8 Overseas related travel

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

	Total Trips	2018 \$ Total Cost	Total Trips	2017 \$ Total Cost
Overseas travel by the Directors and the Chief Executive Officer	-	-	1	14,571
Overseas travel by other employees	1	2,645	1	8,860

The overseas travel by an employee in 2018 related to attendance at a course whilst on personal leave (at employee's expense). The costs of the course were paid for by TasRail. The overseas travel incurred in 2017 was required in connection with the final acceptance testing of an underfloor wheel lathe and a level crossing International study tour. The trips and costs incurred were allowed for in the capital project cost estimate and the operating costs of the business.

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.

E - ADDITIONAL INFORMATION

E10 New and pending accounting standards

NEW ACCOUNTING STANDARDS

AASB amendment	Nature of change to Accounting Policy	Reporting periods commencing on or after	Application date for the Company
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	Amendments to AASB 107 require additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities. The Company has included a reconciliation of liabilities arising from financing activities in the Statement of Cash Flows at note A4.	1 January 2017	30 June 2018

PENDING ACCOUNTING STANDARDS

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

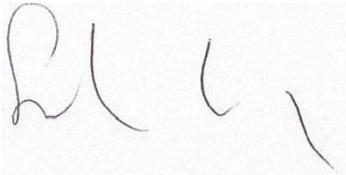
AASB amendment	Nature of change to Accounting Policy	Reporting periods commencing on or after	Application date for the Company
AASB 9 Financial Instruments	The standard affects financial assets and financial liabilities.	1 January 2018	30 June 2019
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards	The amendments arising from this standard have been assessed and will not change the reported financial position or performance of the Company.		
AASB 15 Revenue from Contracts with Customers	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. The amendments arising from this standard have been assessed and will not change the reported financial position or performance of the Company.	1 January 2018	30 June 2019
AASB 16 Leases	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

Tasmanian Railway Pty Limited
Directors' Declaration
For the year ended 30 June 2018

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 2018 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 2018.

Signed in accordance with a resolution of the Directors:



Mrs Samantha Hogg
Chairman

Dated at Launceston this 7th day of August 2018.



Independent Auditor's Report

To the Members of Tasmanian Railway Pty Ltd

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the Tasmanian Railway Pty Ltd (the Company) which comprises the statement of financial position as at 30 June 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 30 June 2018 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 6 August 2018 and included in the Directors' Report, would be in the same terms if provided to the directors at the time of this auditor's report.

...1 of 4

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<p>Valuation of rollingstock assets <i>Refer to note B2</i></p> <p>The Company’s rollingstock (both new and refurbished) represents the majority of Property, plant and equipment and includes locomotives and wagons. The locomotives and wagons are measured at fair value based on an independent valuation and the aggregate carrying value was \$88.77m at 30 June 2018.</p> <p>The fair value valuation is 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 2017-18, management concluded that no revaluation adjustment was necessary.</p>	<ul style="list-style-type: none"> • Assessing the methodology used by the Company to estimate fair values. • Considering management’s conclusion that no adjustment was necessary. • Testing, on a sample basis, additions and disposals throughout the year. • Examining disclosures in the notes to the financial report for compliance with Australian Accounting Standards, including AASB 13 <i>Fair Value Measurement</i>.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report for the year ended 30 June 2018, 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.

...3 of 4

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

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

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

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



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

Tasmanian Audit Office

9 August 2018
Hobart

RAIL
CROSSING



STOP
ON RED
SIGNAL

CMA CGM

eco container
bamboo floor

CMA CGM
021 078
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TQAY 021-V

TARE 15.0t
CAPACITY 58.2t





October 2018

