



Metro
ANNUAL
REPORT
2015-16



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Nature of Business

Provision of road passenger transport services.

Issued Capital

Two shares of \$1.00 each.

Registered Office

212 – 220 Main Road
Moonah, TAS 7009

ABN Number

30 081 467 281

Directors

Lynn Mason, Chairperson
Geoffrey Hazell, Deputy Chairperson
Nick Burrows
Michael Harris
Tim Gardner (commenced 22 December 2015)

Ian Newman (ceased 22 December 2015)

Shareholders

Minister for Infrastructure - Rene Hidding
Treasurer - Peter Gutwein

Executive Managers

Stuart Wiggins	Chief Executive Officer
Anita Robertson	Chief Financial Officer
Alan Pedley	Chief Operating Officer
Ian Ward	General Manager Infrastructure and Engineering Services
Megan Morse	General Manager Business Improvement Services (commenced 6 July 2015)
Stacey Hogarth	General Manager People and Safety (commenced 27 June 2016)

Rodney Byfield	General Manager Business Improvement Services (ceased 4 August 2015)
Rolfe Brimfield	General Manager People and Safety (ceased 24 March 2016)

Bankers

Commonwealth Bank of Australia
81 Elizabeth Street
Hobart, TAS 7000

Auditor

Auditor-General
Tasmanian Audit Office
Level 8/144 Macquarie Street
Hobart, TAS 7000



COMPANY OVERVIEW

Metro Tasmania Pty Ltd (Metro) is a state-owned company established in February 1998.

It is Tasmania's largest passenger transport service provider, operating a fleet of 219 buses in and around Hobart, Launceston and Burnie.

Metro services are delivered under service contracts with the Secretary of the Department of State Growth.

Operating under corporations law, an independent Board of five Directors provides the organisation with strategic direction and governance.

Metro's shareholder ministers, representing the people of Tasmania, are Minister for Infrastructure Hon Rene Hidding and Treasurer Hon Peter Gutwein.

Metro's corporate plan – developed in consultation with the company's employees – has set the vision, business, purpose, goals and values to guide the company.

Our Vision

To be the most attractive travel option for the Tasmanian public in Metro's contract areas.

Our Business Purpose

To be a sustainable bus company connecting people and communities.

Our Goals

- Goal 1** Focus on our customers.
- Goal 2** Operate a financially sustainable business.
- Goal 3** Deliver high quality, reliable services.
- Goal 4** Develop Metro's culture to foster a highly skilled, safety driven and cohesive team.
- Goal 5** Actively engage with our stakeholders.
- Goal 6** Grow the public transport market in Metro's contract areas in Tasmania.

Our Values

Safety

We take pride in everyone getting home safely, by:

- having a safe workplace; and
- putting safety first.

Respect

We show respect for everyone at all times:

- by acting with integrity;
- in all our actions, words, intentions.

Resilience

We have the courage to deal with our day-to-day challenges, showing:

- determination;
- commitment; and
- strength.

Unity

We work together with honesty and transparency:

- We listen.
- We collaborate.
- We cooperate.
- We celebrate success.

Service Driven

We take pride in what we do and it is our pleasure to deliver an outstanding experience for everyone:

- recognising we have internal and external customers;
- continually challenging ourselves to do things better; and
- striving for excellence.

CHAIRPERSON'S REPORT 2016



The 2015-16 year has been an exciting time of growth and change for Metro.

The company has introduced new timetables for greater Hobart as a result of undertaking the largest mass public transit network review in Southern Tasmania for over 30 years.

After extensive consultation with key stakeholders and the broader community the changes that were implemented in January 2016 resulted in an increase in first boardings in 2015-16 of 2.4 per cent statewide. This growth is very encouraging for a mature public transport operation and it is heartening to see more people using our bus services on a regular basis.

We have pursued a range of other goals throughout the year, including continual workplace safety improvement. In addition, we have focused on improving our customer experience, while managing the business in a sustainable and financially responsible way.

Metro has been working closely with our shareholders to put in place a once in a generation bus upgrade and modernisation program, scheduled to be rolled out over the next four years.

The Metro Greencard has also gone from strength to strength, with recent promotion resulting in utilisation of this convenient and efficient method of payment increasing from 59 per cent in 2014-15 to 75 per cent in 2015-16, and 82 per cent usage being recorded in June 2016.

We were pleased to see that our 2016 passenger survey found that 72 per cent of respondents were either satisfied or extremely satisfied with the overall service provided by Metro and only nine per cent of customers surveyed stated they were dissatisfied or extremely dissatisfied.

There are many more plans ahead for further refocusing of services in the coming year as we continue our drive to use our bus infrastructure resourcefully.

Financial Result

Metro is committed to operating a fiscally responsible business that meets the needs of the community. As a state-owned company we strive to deliver value for the Tasmanian taxpayer by using our allocated resources in the most efficient manner possible.

For the 2015-16 year Metro achieved a profit of \$459,000 before tax and \$320,000 profit after tax.

During the reporting year the Department of State Growth provided \$36.39 million

“As a state-owned company we strive to deliver value for the Tasmanian taxpayer by using our allocated resources in the most efficient manner possible.”

under service contracts to Metro to provide bus services in Hobart, Launceston and Burnie.

Through increased utilisation of our services, ticketing income increased to \$11.70 million equating to approximately 22 per cent of our income. Our major expenses continue to be employee wages and salaries, fuel, maintenance of the fleet and ongoing infrastructure upgrades.

Hobart Network Review

A major project over the 2015-16 year was to undertake a comprehensive assessment of our Hobart network to determine how we can position the services for growth in the future while providing effective and efficient services that are better utilised by the community.

The review was motivated by a need to modernise the Hobart network and bring routes and timetables in line with the current travel patterns of Hobart. Metro strove to ensure resources were used as efficiently as possible to place capacity where there is current and future demand, given the changes to public travel needs that have occurred over the past decades.

To undertake such a comprehensive review is no small feat. Metro devoted significant resources to both determine the necessary changes for the future, and effectively communicate and implement the new network in order to ensure minimal disruption.

This review was also informed by extensive consultation and I would like to thank those that were involved for their constructive and valuable input. The suggestions and feedback provided by groups such as TASCOS and Anglicare, as well as our public, resulted in a vastly improved service that will cater more effectively for our broad range of customers now and into the future.

Metro grew the Hobart network to service new areas such as Oakdowns, Camelot Park and Summerleas, while ensuring areas of growth and demand were serviced appropriately with increased direct and express routes, better connections at interchanges, and additional peak, evening and weekend services.

In the first six months of the new Hobart network we were pleased to see significant growth in first boardings of 3.5 per cent in Hobart compared to the same period in the previous year. This growth is almost unheard of for mature public transport operators.

Launceston Network Review

Following the successful implementation of the Hobart Network Review in this financial year, Metro will be undertaking a comprehensive review of our Launceston network in the coming financial year. We are committed to embarking on this review in a staged, sensible manner and will be actively seeking to inform initial network design principles via market research in the coming months. Consultation and customer input will be integral to ensuring Launceston's services are reviewed appropriately, and any changes made contribute to a simpler, faster and easier network for the travelling public in Launceston.

Accelerated Bus Replacement Program

The Tasmanian community is set to benefit from a once in a generation bus upgrade and modernisation program through the State Government's commitment to provide funds over the next four years.

The Accelerated Bus Replacement Program is one of the largest in Metro's history and will see 100 buses replaced.

This investment will directly benefit the Tasmanian public, and encourage increased patronage through improved comfort, accessibility, reliability, and amenity.

The 100 new buses will provide a greater level of comfort and reliability, be better for the environment, and ensure all members of the community benefit from low floor, wheelchair accessible buses.

Through this upgrade Metro will see the average age of our fleet reduced from 16.3 years to 11.6 years by the completion of the investment, in line with other state capital city operators.

Metro's current fleet is by far the oldest in Australia, which means our buses require maintenance more frequently and are time consuming and expensive to repair. Through this extensive overhaul we will see substantially improved reliability, reduced ongoing maintenance costs as well as lower emissions.

This extensive upgrade will be a major area of focus for Metro in the coming years.

Community Partnerships

Much of the reform work that has been undertaken by Metro this year has been greatly assisted by engagement with key stakeholders including State Government, local government, community service providers and private passenger bus operators.

We strongly value open, transparent communication and collaboration with key stakeholders. We strive to achieve honest collaboration and to clearly articulate the rationale behind decisions relating to policies, services and infrastructure.

We continue our active participation in a range of positive community initiatives designed to effect long term change for the betterment of the State.

We continue our focus on ensuring our passengers feel safe when travelling on our buses by maintaining a zero tolerance policy on bullying, violence and other anti-social behaviour. We are committed in this area now and into the future. We also are pleased to maintain a mutually beneficial relationship with various community leaders including TASCOS, COTA, MAIB and Anglicare.

One organisation we are particularly proud to support is Guide Dogs Tasmania, through a partnership established in the last financial year. As part of our commitment we facilitated Campbell Street Primary School children covering a Metro bus in artwork that promoted the access rights of guide dogs and their carers, and supported the training of a new guide dog puppy.

Our commitment to passenger and staff safety will remain a strong focus throughout 2016-17, as will our support of a diverse range of not-for-profit organisations, government initiatives and community groups.

Board Changes

Mr Ian Newman retired from the Metro board in December 2015 after serving as a Director since February 2010. Metro greatly appreciates Ian's input during his time and on behalf of the board I thank Ian for his service.

Tim Gardner was appointed in December 2015 to fill the board vacancy and brings a wealth of skills and experience to the board. We look forward to benefitting from his extensive experience over his term as Director. I would also like to acknowledge the outstanding work of our CEO, Stuart Wiggins and his staff who continue to propel the organisation forward.

As this will be my last Annual Report as Chairperson of Metro I would like to thank the Tasmanian Government and my fellow Directors for their support and guidance over my time on the board. I look forward to seeing Metro continue its important work into the future.



Lynn Mason
Chairperson

CEO REPORT 2016



Metro has set itself ambitious reform targets over the past year and has carried out the largest review of the Hobart Network in over 30 years. In addition to this major undertaking we have implemented a raft of other initiatives designed to make travelling with Metro safer, more convenient, attractive and reliable.

I have been privileged to work with a large group of passionate staff who are committed to the strategic aims and continuous improvement agenda we are implementing. They strive daily for excellence and are always looking for ways to improve performance.

Metro is a unique company in Tasmania because we are focused on providing a community service in the form of a public mass transit system. It is a great responsibility and everyone in the Metro team takes their role in delivering this very seriously and with great pride.

To this end, we have embarked on an extensive reform program to position Metro as sustainable, relevant and reliable

“ We have embarked on an extensive reform program to position Metro as sustainable, relevant and reliable both now and for generations to come. ”

both now and for generations to come. We are wholeheartedly committed to continual improvement and through the Hobart Network Review last year and the Launceston Network Review in the coming year we will have set the course of our long term community-minded service provision.

Improved Hobart Services

Through the review and reform activity Metro has undertaken in the south we have enjoyed a significant increase in first boardings across our Hobart network of 2.7 per cent over the previous year, indicating the changes have made bus transport more convenient for many.

We understood the impact such a significant change to the network would have on our community and therefore devoted substantial resources and staff to assist the community understand and take advantage of the new network and timetables.

Through the tireless effort of the entire team at Metro we have implemented the changes with the least disruption possible and I would like to thank all involved for their determination and commitment to implementing the complex changes.

Enterprise Agreement

Metro's Bus Operator Enterprise Agreement was due for renewal in the past year and I am very proud of the way employees worked together to ensure an agreement was reached which was fair, fiscally responsible and mutually beneficial to both Metro and its employees.

I would like to thank and congratulate the Rail, Tram & Bus Union, all staff representatives and corporate management on the mature and constructive approach demonstrated during negotiations.

Utilisation of Greencard and Integration with Tassielink Transit

The Greencard has remained a popular customer offering, and in the past year active promotion and incentives resulted in utilisation increasing dramatically. The percentage of customers using Greencard for their travel has risen from 64 per cent in June 2015 to 82 per cent in June 2016, which in addition to providing more customers than ever savings of up to 20 per cent on their travel, greatly assists Metro to achieve industry on-time-

running benchmarks and improve overall network efficiency.

We also expanded the Greencard system to Tassielink Transit so that anyone using a Greencard is able to travel seamlessly between the two passenger transport providers.

Network Performance

Our high frequency Turn Up and Go services between Hobart CBD and Glenorchy and the Launceston CBD and University of Tasmania Newnham campus continue to represent a quick and efficient means of transport for customers. These well-patronised corridors offer our communities peace of mind and regular services so we were proud to introduce a third corridor as part of Hobart network changes in January 2016, linking Shoreline, Rosny and Hobart City every 10 minutes 7am-7pm on weekdays.

Through our ongoing efforts, implementation of better timetables through the Hobart Network Review and consolidation of existing initiatives such as Turn Up and Go and our user friendly technology, statewide first boardings have grown from 8,005,247 in 2014-15 to 8,182,088 in 2015-16.

Safety Improvement and Organisational Development

Improving safety for both customers and staff through a whole of organisation approach to undertaking tasks in the safest manner possible has been an ongoing focus for Metro. We were very pleased to see our Burnie team register 1000 days lost-time-injury free in April 2016, an outstanding achievement.

We have been especially proud to observe a significant reduction in Lost Time Injuries across the business, lowering our Lost Time Injury Frequency Rate to 2.65 per cent in June 2016, well below the industry average of 8 per cent.

We continue to focus on cultural and organizational change to ensure our people are aligned with our values and customer focused in all activities we undertake.

Fleet Upgrades

Fleet upgrades are a key focus for the coming year. In addition to the significant investment to be made as part of the Accelerated Replacement Program, in the past year Metro has purchased eleven near new second hand buses from Australian Pacific Airport (Melbourne) for \$2.4m.

This thoughtful purchase allowed us to get more value for money, reduce the average age of our fleet, increase the number of services that can be operated by low floor accessible buses, and facilitated the creation of an additional three full time positions within Tasmanian industry. Nine of these buses are located in Burnie and the remaining two now service the Hobart Channel area.

In addition, Metro will purchase seven new low floor articulated buses to be delivered from March 2017, five of which will replace current ageing articulated buses and two of which will be used to grow the articulated fleet. The purchase of two of these new buses has been funded entirely by internal savings from organizational efficiencies and improvements, and will enable Metro to cater for future growth.

On Time Performance

We aim to operate our services in a manner that ensures our customers can travel with confidence and can trust that they will be picked up and dropped off at the published time.

This past financial year we have seen our on time performance improve to 85 per cent, well in line with industry counterparts.

Corporate Citizenship

Metro was proud to continue its work with special-event and community based organisations throughout the past year.

Partnerships in 2015-16 included:

- Free Royal Coach bus services for AFL matches at Blundstone Arena supported by the Royal Automobile Club of Tasmania (RACT) and North Melbourne Football Club;
- Free Boundary Rider bus services for major cricket matches at Blundstone Arena supported by Cricket Tasmania;
- Nightrider services in Hobart, Launceston and Burnie on New Year's Eve sponsored by the Motor Accidents Insurance Board (MAIB);
- Support of Tasmanian Seniors Week including free Greencards and travel for seniors;
- Charter of over 60 buses to assist participants in the Hobart Point to Pinnacle race;
- Free bus services on ANZAC Day to Tasmania's veterans, war widows and other service personnel as a simple thank you for their service to our nation; and

- Support of Guide Dogs Tasmania to raise awareness of access rights of guide dogs and their handlers as well as sponsoring the development of a guide dog.

The MAIB funded Nightrider service has remained popular over the past financial year as customers continue to take advantage of the convenient and safe travel option, and patronage for the sponsored free buses to Blundstone Arena for cricket and AFL events has continued to grow.

In particular, I would like to thank the MAIB, RACT and Cricket Tasmania for their ongoing support which has allowed Metro to operate mass transit services to large community events. This provision benefits everyone by reducing local resident impact, greatly increasing enjoyment for attendees by offering a stress free transport option, and ensuring congestion is kept to a minimum.

Metro is continually reviewing its contribution and will remain active in this area over the coming year.

Website and App

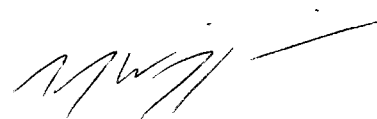
Our website, trip planner and app continue to be used increasingly as the first port of call for checking timetables and planning trips. Over the past year we have also introduced a native Android based app catering to the many mobile customers not using iOS technology.

The uptake has been very encouraging with the added advantage for customers to save their favourite routes, check immediately for the latest network updates and plan a trip quickly and easily.

We will continue to remain abreast of new and emerging technology as we look to benefit from the improvements this area can bring.

Chairperson Retirement

On a personal level I would like to thank outgoing Chairperson Lynn Mason for her unwavering support and leadership at Metro. She has been an inspiration to work with and I look forward to continuing to implement the strategic priorities that have been guided by her leadership.



Stuart Wiggins
Chief Executive Officer

OUR PERFORMANCE

Passenger Levels

During 2015–16, there were 8,182,088 first boardings (which exclude transfers) compared with 8,005,247 in 2014–15 – an increase of 2.2 per cent. After adjustments for the number of day types (school term weekdays, school holidays, Saturdays, Sundays and public holidays), there were 2.4 per cent more first boardings in 2015–16 than in the previous year. Adult and concession first boardings increased by 2.1 per cent and 10.0 per cent respectively, whilst student first boardings declined by 3.4 per cent. The significant increase in concession first boardings was due in part to the cessation of day pass tickets in October 2015. In 2016–17, Metro will conduct market research to determine the cause of this decline in student journeys.

Following the implementation of changes to the Hobart network, each month in 2016 saw an increase in Hobart's first boardings compared with the same month in the previous year. Between January and June 2016, there were 106,988 additional passenger journeys than the equivalent period in 2015.

This equated to 632 additional journeys per weekday, a result that demonstrates the overall success of the Hobart Network Review.

In 2015–16, first boardings in Hobart increased by 2.7 per cent, a 1.8 per cent increase occurred in Launceston, and Burnie recorded a 0.02 per cent increase on 2014–15.

A restructure of urban fares implemented in October 2015 was accompanied by a free Greencard promotion, which resulted in Greencard usage increasing from 59.4 per cent in 2014–15 to 74.9 per cent in 2015–16.

Figure 1 - Passenger Boardings

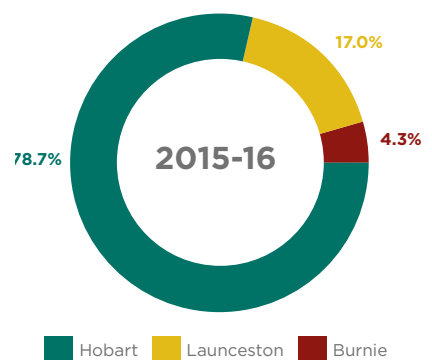
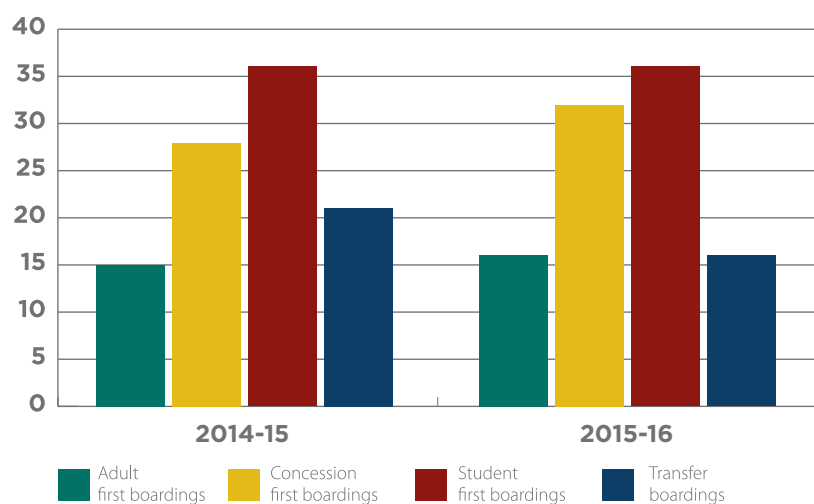


Figure 2 Boardings by Passenger Type



Service Initiatives

Hobart Network Review

In January 2016, Metro implemented a major review of the Hobart passenger transport network. The Hobart Network Review (HNR) improved services by removing buses from narrow streets with low passenger numbers to improve safety, simplifying and straightening our routes to reduce travel time, improving service frequencies and hours of operation across weekdays and weekends, and simplifying the network to make it easier to understand for our existing and prospective customers.

Key features of the new network include:

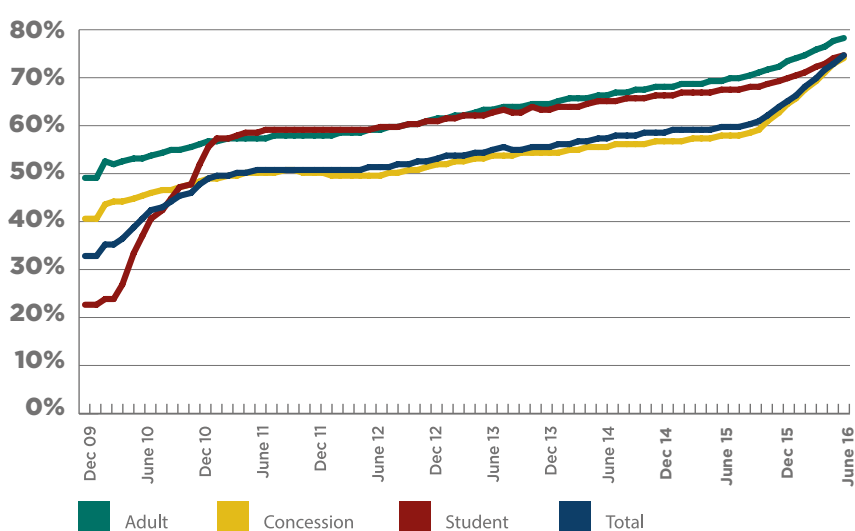
- Simplified network with fewer route variations to achieve more frequent and regular services
- New Turn Up and GO service between Hobart, Rosny Park and Howrah
- New direct routes from Glenorchy, Hobart City and the eastern shore to UTAS Sandy Bay
- Longer operation of services to Kingston via the Southern Outlet, including direct peak hour services between Glenorchy and Blackmans Bay
- Better connections and less waiting time at bus interchanges
- Servicing new areas of Summerleas in Kingston and Oakdowns and Camelot Park on the eastern shore
- Trial of services between Bridgewater and Rosny Park via Old Beach and Risdon Vale
- Services between UTAS Sandy Bay and Hobart every 10 minutes on weekdays
- New express network with faster, more direct services and a higher frequency on key routes
- Updated easy-to-read maps, timetables and route numbers.

The HNR was the first wholesale overhaul of the entire route network and timetable in over 30 years, and involved the redesign of up to 1,600 services per day. This was a significant undertaking and required extensive consultation with the Department of State Growth, Local Governments, customers and other stakeholders.

The new network has been an overwhelming success, resulting in a 3.5 per cent increase in passenger journeys in the first six months compared to the same period the year before.



Figure 3 - Usage of Greencard since statewide implementation



Launceston Turn Up and GO

A trial of Turn Up and Go services between the University of Tasmania's Newnham campus and the Launceston city centre in 2015 resulted in a 25 per cent increase in boardings at the university. Due to the success of the trial, the University of Tasmania contributed funding towards continuing the service in 2016.

Launceston Tiger Bus

Metro continues to operate the City of Launceston's Tiger Bus service which includes a 15 minute weekday peak period shuttle from Inveresk to Launceston City and two inter-peak 60 minute city loops.

Special Event Services

Metro Nightrider services were provided in Hobart, Launceston and Burnie on New Year's Eve in partnership with the MAIB. Passenger numbers again improved following increases in the previous year, with Hobart patronage improving by five per cent, Launceston by 21 per cent, and Burnie by 17 per cent.

RACT sponsored the provision of free bus services to and from Blundstone Arena, Bellerive for major sporting events in 2015–16. The RACT Royal Coach services operated for three AFL matches in conjunction with the North Melbourne Football Club, as well as for four T20 Big Bash League (BBL) matches in partnership with Cricket Tasmania and the Hobart Hurricanes. Cricket Tasmania also sponsored the provision of free bus travel to and from the test match between Australia and West Indies.

The Royal Coach services carried over 15,000 passengers to and from the three AFL matches, with up to 17 per cent of patrons using the services, while approximately six per cent of cricket match patrons used the free Boundary Rider services. The combined patronage for the BBL matches increased by 38 per cent compared to the previous year, on the back of a 30 per cent increase in average attendance.

OUR PERFORMANCE



Bus Fleet

All of Metro's 219 buses are fitted with CCTV and 113 are compliant with the Disability Discrimination Act (DDA) requirements for accessible public transport which represents 51.6 per cent of the fleet.

The Disability Standards for Accessible Public Transport (DSAPT) require that 55 per cent of services are provided using accessible buses. In 2015-16 Metro provided 59 per cent of services with

accessible buses. This figure is calculated with dedicated school services excluded as per the DSAPT. Forty-one per cent of buses are air conditioned.

In 2015-16 Metro took delivery of 11 secondhand DDA compliant low floor buses from Australian Pacific Airports (Melbourne) and five secondhand DDA compliant low floor articulated buses from BTI SkyBus. All 16 buses were refurbished in Tasmania before entering service.

Figure 4 - Buses in Service
(as at 30 June 2016)

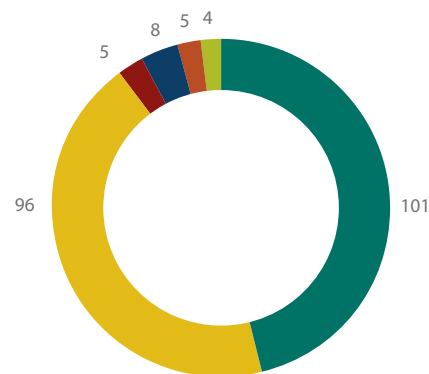
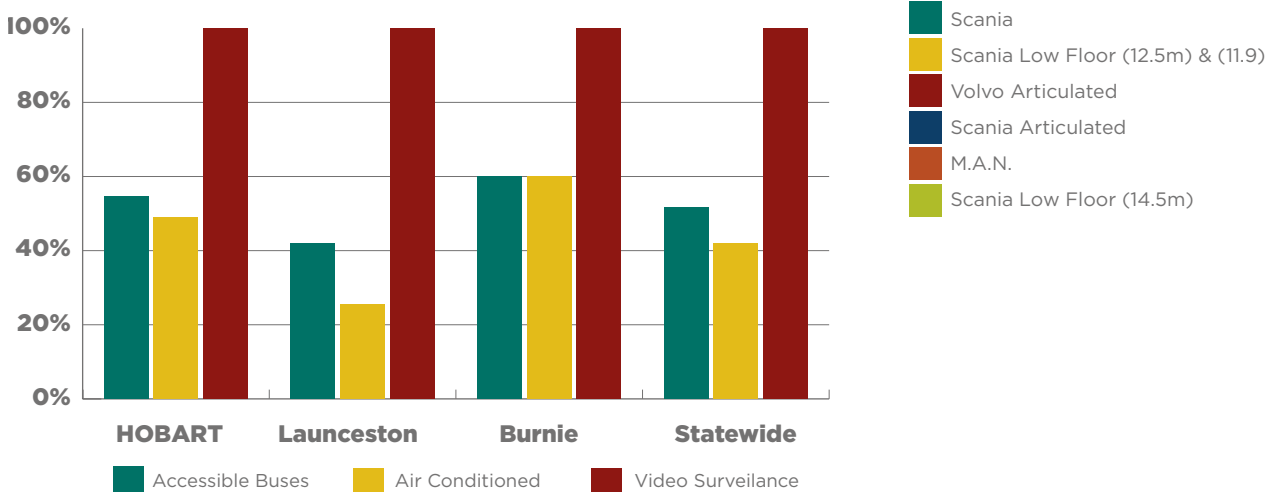


Figure 5 - Buses with Special Features



Website and App

Metro's website, metrotas.com.au, continues to be a main focus of our customer communications, providing customers with a user friendly experience. Online, our customers can access a wide range of information and resources including:

- An easy to use trip planner
- Timetables and route maps
- Tickets and fares
- Greencard ticketing system
- News and service changes
- Social media updates
- Company overview
- How to contact Metro and provide customer feedback, including a public comment form for queries, comments and complaints.

The website was utilised during the consultation period of the Hobart Network Review to allow customers to leave feedback regarding the proposed changes. During the implementation period it was used as one of the main methods of informing customers of the upcoming changes and revisions to the network. The website is also used to provide information via alerts and blog posts about changes to bus service infrastructure and bus service changes such as temporary route deviations during road works and during events that see road closures such as ANZAC Day and the annual City to Casino fun run.

During the period between May 2015 and May 2016, there have been over 1.2 million visits to the website- a steady increase from the 840,000 visits during the same period in 2014-15. 70 per cent of visits to the Metro website were from new users, and most visits were to use the trip planner and view timetables and Greencard pages.

While mobile devices account for over 60 per cent of visitors to the Metro website, the iOS app launched in November 2014 continues to be a popular choice with Metro customers, with over 13,000 downloads during the period between May 2015 and May 2016. The Metro App allows users to plan their travel, top up and manage their Greencard, and access route and infrastructure updates. During 2015-16 the iOS app was used to plan close to 220, 000 journeys. The Android version

of the Metro App was launched in September 2015, and during this time it has been downloaded over 3,300 times and used to plan over 29,000 trips.

Media

Alerts relating to service alterations, traffic delays, special event services and other daily information are provided on Twitter via @Metro_Tasmania. The number of Twitter followers has increased steadily to over 2,800 as of June 2016.

Metro has been operating an official Facebook page, Metro Tasmania, since December 2014, which is used to provide service and infrastructure updates, answer customer queries and promote new services, events, and offers. Over 3,200 people have 'liked' the page as of June 2016, with an average organic weekly post reach of more than 2,000, and during periods of promoted activity, weekly post reach has approached 90,000 people.

Marketing

During June - October 2015 Metro ran an extensive campaign to promote the use of Greencards in advance of fare structure changes. Over 12,000 free Greencards were distributed through online applications, at the Metro Shop and during approximately 100 roadshows conducted by training and customer service staff held to engage with customers and promote the advantages of Greencard use. The campaign was successful and assisted in the smooth implementation of the fare structure changes, with minimal issues reported and no significant complaints from the public. During the campaign Greencard use increased from 63 per cent at the start of the campaign to 75 per cent after the 10 week promotion period, and usage continued to rise to 81 per cent in the following months. The success of the campaign saw the promotional free Greencard period extended into November, to help with the transition of the fare structures by allowing customers to still receive free Greencards after the implementation of the changes and to continue to increase Greencard use. As a result of this campaign and ongoing promotion of Greencards, in June 2016 82 per cent of boardings were made using a Greencard.

Public Interest Disclosures

Metro complies with the Public Interest Disclosure Act 2002 (the Act). In accordance with section 86 of the Act Metro advises the following:

- a) Metro Tasmania's procedures are available on the Metro website www.metrotas.com.au as per the Act.
- b) No disclosures of public interest were requested of Metro during the year.
- c) No public interest disclosures were investigated by Metro during the year.
- d) No disclosed matters were referred by the Ombudsman to Metro during the year.
- e) No disclosed matters were referred to the Ombudsman to investigate by Metro during the year.
- f) No investigations of disclosed matters by Metro were taken over by the Ombudsman during the year.
- g) There were no disclosed matters substantiated on investigation as there were not any disclosed matters during the year.
- h) The Ombudsman made no recommendations under the Act that relate to Metro.

Right to Information

Metro received two Right to Information requests in 2015-16. Of these, one was dealt with as an Active Disclosure and one was dealt with as an Assessed Disclosure.

OUR WORKFORCE



Workforce

The number of employees, including casual bus drivers, at 24 June 2016 was 474.

Hobart	361
Launceston	88
Burnie	25

72 employees were recruited during the year: 50 Bus Operators and 22 salaried employees. Five recruitment campaigns were conducted for Bus Operators in Hobart, three for Launceston and two for Burnie. As with previous years, strong interest was shown in all recruitment campaigns indicating that Metro continues to be an attractive employment option. We have also recruited three positions in Finance, two in Business Improvement Services, and five in People and Safety.

Figure 6 - Employment Profile



Employee Relations

In 2015–16 Metro completed negotiations with Bus Operator employees and their representatives to develop the Metro Tasmania Bus Operator Enterprise Agreement 2016. This agreement is for all Bus Operators located across all Metro sites. Employees not covered by this agreement are administrative and engineering staff. The new three year agreement was necessary as the previous Bus Operator Agreement 2013 was due to expire 31 December 2015. The negotiations were conducted without any time lost due to industrial action.

Metro has started negotiations on the Engineering Enterprise Agreement. The current agreement expires on 30 September 2016. This agreement covers engineering staff.

Internal Communication

Metro's internal newsletter, Metro Communicator, has continued to evolve as a weekly four-page colour publication which is pinned on noticeboards, distributed in lunchrooms and emailed to all Metro email accounts as well as approximately 190 employees' private email addresses. The newsletter updates our staff on policies, procedures, operational notices, training, and events. We continue to have a team focus, highlighting staff members through employee features, publishing compliments that are received, congratulating the monthly 'Beyond the Stop' recognition award recipient, sharing a weekly safety column featuring safety tips for our staff, and including information and updates from committees, management and the Board.

Employee Development

Metro continues to invest in the development of its workforce, both for professional development and to ensure the business meets regulatory requirements.

VET nationally accredited training:

- Eight Bus Operators completed a Certificate III qualification in Driving Operations
- Six Bus Operators continued their Traineeships for Certificate III qualification in Driving Operations
- Nine relief driver trainers are currently undertaking Certificate IV qualification in Training and Assessment
- Two finance employees are currently undertaking a Certificate III qualification in Accounts Administration.

Metro training and development activities included:

- Refresher training for all Bus Operators 1 August 2015 and 1 February 2016
- Training and licensing for 50 new Bus Operators
- Heavy Vehicle National Law and Fatigue Management training with new Bus Operators
- Familiarisation of the new MAN Artic buses for Bus Operators
- Route training on the new routes that were developed as part the Hobart Network Review
- Reversing, crash avoidance, attended bus malls, schools and when completing charters
- Familiarisation of the 14.5 metre buses
- Post incident referral training.

In addition, as part of the Better Metro cultural change project, SRA Corporate Change (formerly Sara Redman and Associates) was engaged to deliver professional development training which included:

- Performance Management (having the conversations)
- Building a positive workforce.



Figure 7 - Age Profile

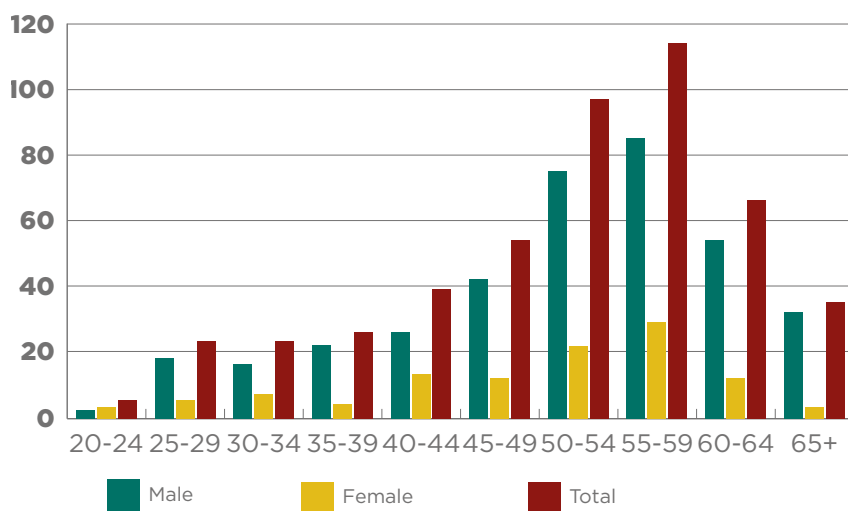
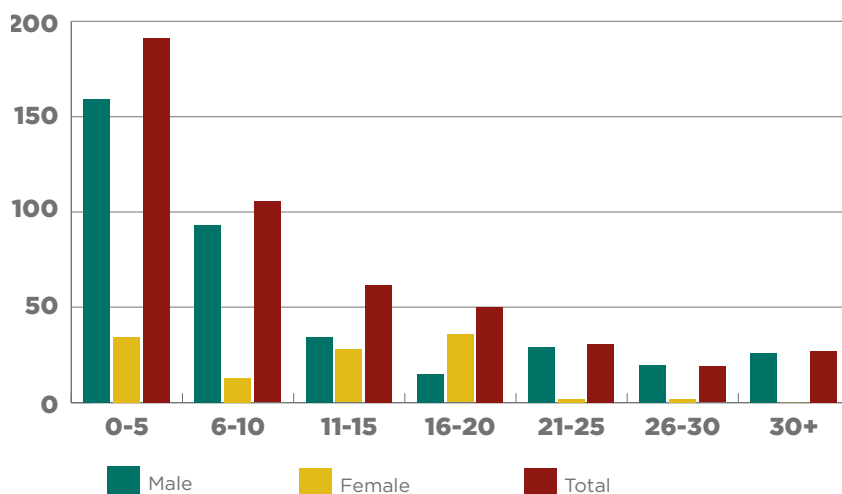


Figure 8 - Years of Service



Safety Performance

As one of Metro's core values, safety continues to be a high priority with significant increases in resourcing implemented in 2015-2016 to ensure the safety of employees, contractors, visitors, customers and the general public. Our focus is on safety awareness, compliance, culture, systems and performance.

Over the last twelve months Metro's safety journey has continued with pleasing results. Our Lost Time Injury Frequency Rate has continued to trend down with rates falling from a figure of 14.68 per cent at the end of July 2016 to 2.65 per cent by June 2016. This great result is due to good work from all our staff to maintain a constant focus on the importance of safety.

During 2015-2016 Metro conducted a review of the People and Safety team structure and commenced broadening the coverage and depth of the team. This will refine and further progress the implementation of a safety management system to ensure a systematic, comprehensive and consistent approach to managing safety throughout the business.

Health and Safety Representative involvement in hazard identification, risk management and risk control has increased to assist in fostering a 'one team' consultative approach. Employee involvement and engagement is imperative in a successful safety improvement which Metro values.

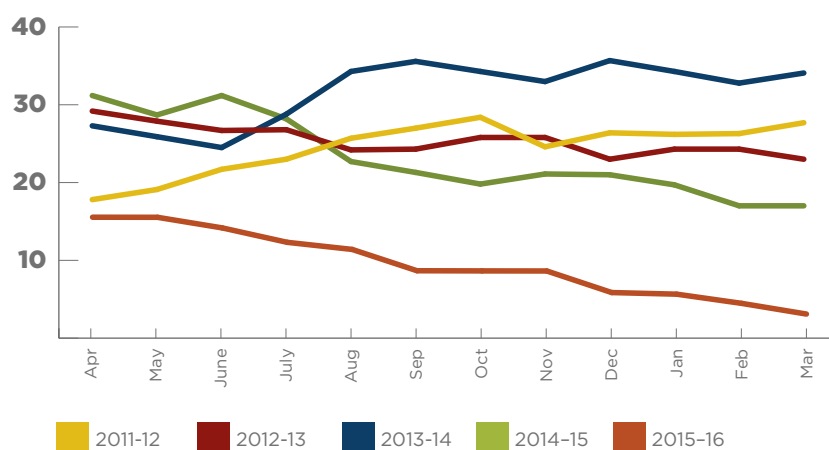
The revised People and Safety team structure will improve the availability of specialist support services across the business, enabling the Metro team as a whole to work more closely and achieve operational and business goals.

A major area of risk reduction focus in the business for 2016-2017 will be workshop activities, where the non-routine nature of some tasks, variation in task environment and risk profile can increase risk to employees.

Metro continues to improve:

- Safety awareness
- Safety capability
- Safety ownership
- Safety leadership
- Safety resourcing and business support
- Safety systems
- Incident response, management and preventive action
- Control measure implementation.

Figure 9 - Lost Time Injury Frequency Rate



Apprenticeships and Traineeships

Six apprentices are currently undertaking a Certificate III Heavy Commercial Vehicle Mechanical Technology apprenticeship with Metro, and one administrative employee is undertaking the second year of a Certificate III Business Traineeship. These personnel are employed through a group training company.

Employee Wellbeing

The two gym facilities at Hobart and Launceston are up and running and we have invested in new equipment available to our employees such as running machines, cross trainers, an exercise bike and a rowing machine. Along with gym areas, employees continue to be involved in extra activities such as walking groups to make the most of their lunch breaks.

As part of our overall health improvement strategy, staff in Hobart, Launceston and Burnie have taken part in health expos over the year.

A smaller scale healthy eating demonstration has been conducted in the Metro Shop and the Hobart workshop by Healthy Happy Staff. All employees who attended thoroughly enjoyed the demonstration.

Flu shots were again made available to all Metro employees across the state and there was an increase in the number of staff taking advantage of the clinics.

Strong promotion of Metro's employee assistance program continued with many employees taking advantage of free professional counselling services.

OUR CUSTOMERS

Customer Service

Metro provides information and support to its customers through telephone, electronic and on-route channels. In-person service is provided at the Launceston and Burnie depots and the Metro Shop located at the Hobart Bus Interchange.

The Metro Shop opens on weekdays, Saturdays throughout daylight saving time, and to coincide with major events. The range of in-person services provided includes journey planning, timetables, Greencard applications and top ups, lost property and customer feedback.

Receiving feedback from our passengers and members of the public helps to identify opportunities for improvement and for positive recognition. Visits to the Metro Shop increased substantially from a monthly average of 11,946 in 2015 to 23,503 in January and 17,938 in February 2016, as the team assisted customers to transition to the new timetable post the Hobart Network Review.

In 2015-16 Metro received 313 compliments and 640 substantiated complaints.

All compliments recognise a high standard of service delivery and each month, recipients of compliments considered to be outstanding are presented with an award. The following employees received an award during the year:

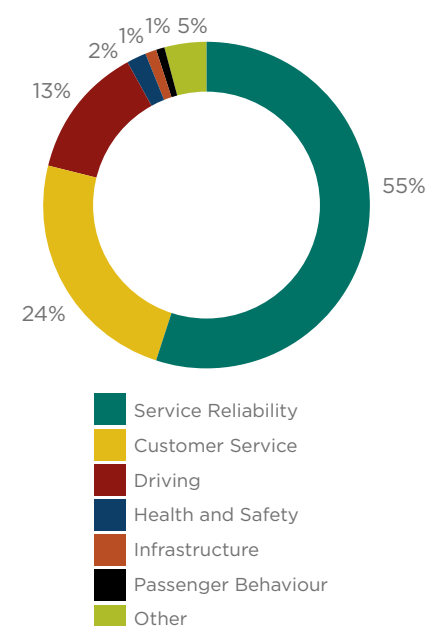
- Damian Penney for assisting some confused tourists and bringing them safely back to town

- Kent de Jersey for assisting a cyclist who had come off his bike
- Amanda Walters for providing support for a passenger who was being harassed by an intoxicated individual
- Allan Smith for ensuring that a lost child was returned safely to her family
- Shane Denny for demonstrating Metro values by putting a customer's mind at ease when he suffered an injury
- Chris Cooling, Peter Ameron and David Madden for coming to the rescue of a member of the Bellerive Yacht club who had suffered a serious injury climbing off her boat at the Marina
- Malcom Willie for using his exceptional driving skills and great care to avoid hitting a pedestrian who had walked in front of the bus
- Steven Salvia for showing extra care and consideration for a disabled customer
- Deborah Grace for assisting a customer with her baby and pram
- Lisa Allen for her innovative idea and suggestions in relation to Greencard distribution
- Jenna Sharpe for her initiative to contact holders of student Greencards that needed to upgrade to an adult Greencard, and TPI concession card holders to ensure the seamless extension of their free travel entitlement

- Yvette Garlick for assisting a customer who had recently had a hip replacement operation and experienced difficulty boarding and disembarking the bus.

Metro focuses on resolution at the first point of contact in its provision of customer service. Where the customer provides feedback that requires follow up, an investigation is conducted and a response provided within ten business days. The information provided by customers is used when considering changes and improvements to our services.

Figure 10 - Breakdown of Complaints





Customer Survey

Our annual Customer Satisfaction Survey is a key tool for us to determine how we are fulfilling our responsibilities to the community. The 2016 survey forms the sixth year of research and provides Metro with information from Hobart, Launceston and Burnie passengers about their experiences, satisfaction and view of the quality of Metro's services.

The most recent survey was conducted over June-July 2016 and involved interviewing 600 respondents state-wide who had used a Metro bus service at any time in the past 12 months.

The survey indicated that 72 per cent of respondents were either satisfied or extremely satisfied with Metro services overall, similar to previous rounds.

The latest round of research also identified increased levels of satisfaction areas including personal safety on board the bus, the service provided by bus drivers, and the directness and frequency of Metro services.

Reasons for travelling on Metro Services (Percentage of respondents)*

Reasons for Travel	Percentage				
	2012 Percentage (n = 600)	2013 Percentage (n = 600)	2014 Percentage (n = 600)	2015 Percentage (n = 600)	2016 Percentage (n = 600)
To go shopping	49	46	49	49	45
To go to work	35	33	32	34	32
Visit friends or relatives	24	23	23	21	23
Health or welfare	19	22	22	21	18
Entertainment or performances	23	20	21	20	17
To do business i.e. banking etc.	27	23	23	18	14
To go to school	12	14	10	11	11
Sport or recreation	12	14	9	9	10
To go to University or TAFE	6	8	7	7	5
Car in being serviced / unavailable / not enough room	2	2	2	2	1
Volunteer work	-	-	-	-	1
To get home	2	3	1	1	1
Pick up / take children	1	0	-	1	1
To go to the library	-	-	1	-	0
Other	4	1	3	2	0

*Percentages do not sum to 100 as respondents were able to give multiple responses.

Satisfaction with Metro Tasmania's Passenger Transport in 2016 (Percentage of respondents)*

Statements	Level of Satisfaction (n=600)							
	Very satisfied	Satisfied	Neither satisfied nor dissatisfied	Disssatisfied	Very disssatisfied	Unsure	Very satisfied/satisfied	Very disssatisfied/disssatisfied
Personal safety on board the bus	49	37	11	2	1	1	86	3
The service provided by bus drivers	46	39	12	1	1	1	84	3
The length of time it takes to travel	42	35	14	3	5	1	77	8
The directness of the route	43	32	14	5	5	1	76	10
The cost to use the service	33	39	18	6	3	1	72	10
The services provided by Metro Tasmania overall	30	43	17	6	4	1	72	9
Personal safety at the bus stop	38	32	20	5	3	2	70	8
The bus route coverage	34	32	22	6	4	1	66	10
The reliability of the services	34	30	10	3	3	22	63	5
The operating hours of the services	31	31	18	8	8	5	62	15
The service provided by the Metro Customer Service team	29	30	20	11	7	3	59	17
The frequency of the services	26	31	21	12	9	1	58	21
The ease of transfers between services	22	22	20	3	3	31	43	6

*Percentages may not sum to 100 due to rounding.

OUR COMMUNITY



Connecting communities is key and serving the Tasmanian community is the reason we operate.

As the State's largest passenger transport provider, Metro's core purpose is to provide passenger transport services.

Metro recognises its role in the community, connecting Tasmanians to their employment, study, leisure and community activities. Metro also seeks to support and engage with the community through investment and sponsorships.

Community investment and sponsorship is undertaken in accordance with Metro's sponsorship guidelines with a view to raising the profile of Metro and encouraging the use of passenger transport. Community investment and sponsorship involves the provision of financial and in-kind support and Metro encourages the engagement of employees in fundraising activities.

Metro provides free travel on ANZAC Day to members of the Australian Defence Forces provided they are in uniform.

Veterans and war widows are also entitled to free travel provided they wear a uniform, service medals or war widows' or ex-service association badges or present a DVA card.

Metro offers seniors who hold a Greencard and Seniors Card free travel during Seniors Week, as well as offering free Greencards in order to connect senior members of our community with events and services during Seniors Week. Providing seniors with free Greencards and encouraging the use of Metro services assists in fostering familiarity with our services so that they may live mobile lives year round.

During 2016 Metro established a strong partnership with prominent community organisation, Guide Dogs Tasmania, providing sponsorship in the form of a bus wrap that contained original student artwork promoting their campaign 'guide dogs can go anywhere'. This campaign emphasised public transport as an accessible service for all, highlighting that assistance animals are allowed on board Metro services, and raising the profile of Metro Tasmania as an inclusive, community minded organisation through this successful partnership.

Metro supported a diverse range of community organisations throughout 2015–16, including not-for-profit organisations, government initiatives and community celebrations. These organisations and events included:

- Carols by Candlelight
- Destination Southern Tasmania
- Festvale
- Give Me 5 for Kids
- Guide Dogs Tasmania
- Kingsborough Lions Club
- Kingston Beach Fun Run
- Launceston Cup
- RSL ANZAC Day services
- Seniors Week
- Star Tasmania
- Salvation Army
- Tasmanian Leaders Alumni
- Tasmanian Leaders Inc
- Tasmanian Transport Museum
- Tasmanian Turf Club
- Ten Days on the Island
- Womensport and Recreation Tasmania.

Metro looks forward to continued community investment.



BOARD OF DIRECTORS



Lynn Mason (Chairperson)

Ms Lynn Mason was appointed Director on 3 March 2008 and Chairperson on 5 November 2013. She is Chairperson of the Tasmanian Community Fund and a Director of Furneaux Aquaculture Pty Ltd, Crime Stoppers Tasmania, and the Primary Industries Education Foundation Australia, and a member of the Joint Commonwealth and Tasmanian Economic Council. Lynn is past President of the Local Government Association of Tasmania, past Mayor of Flinders Council and past Senior Vice President of the Australian Local Government Association. Lynn is a partner in JM and NL Mason, which owns and runs grazing property in Carrick and on Flinders Island. She holds a Bachelor of Arts and is a Fellow of the Australian Institute of Company Directors.



Geoffrey Hazell (Deputy Chairperson)

Mr Geoffrey Hazell was appointed Director on 5 February 2010. He is the Managing Director of the RG & GR Hazell Group of companies that comprises, amongst others, Hazell Bros Group Pty Ltd, H.B.M.I. Pty Ltd, Glenwood Industries Pty Ltd and Clarke's Sands Pty Ltd. Hazell Bros undertakes operations in Tasmania, Queensland and South Australia. Geoffrey is a Fellow of the Australian Institute of Company Directors and a member of the Institute of Building Australia, Institute of Quarrying Australia and the Civil Contractors Federation.



Nick Burrows

Mr Nick Burrows was appointed Director on 20 December 2013. He is also a Director of Clean Seas Tuna Limited, Peloton Global Pty Ltd, Taswater and Australian Seafood Industries Pty Ltd. He is Chairman of TasTafe and Tasmanian Quality Assured Inc. Nick is also a member of the DPIPW Audit Committee and Tourism Tasmania Audit, Finance & Risk Committee, and chairs Kingborough Council's Audit Panel and Ta Ann Tasmania Pty Ltd Audit & Risk Committee. Nick was the Chief Financial Officer and Company Secretary at Tassal Group Limited until 2009 when he established his own business providing corporate governance and financial restructuring advice to clients. He is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Accountants of Australia, Governance Institute of Australia and of the Financial Services Institute of Australasia.



Michael Harris

Mr Michael Harris was appointed Director on 20 December 2013. He is also a Director of several companies associated with Premium Business Group Pty Ltd. Michael is a former CEO of the Australian Automobile Association and has worked as the CEO of the ACT Chief Minister's Department and as Director- General of Transport in WA and in the ACT public sector. In the ACT he held the positions of Under Treasurer and CEO of the ACT Department of Treasury. Michael holds a Bachelor of Economics from the University of Tasmania. He is a Fellow of the Australian Institute of Management, a member of the Chartered Institute of Logistics and Transport and a member of the Australian Institute of Company Directors.



Tim Gardner

Mr Tim Gardner was appointed Director on 22 December 2015. He is the Executive Chairman of Stornoway. He is also a board member of the Launceston Chamber of Commerce and State President of the Australian Water Association. He is a graduate of the Australian Institute of Company Directors.

DIRECTORS' REPORT



The Directors of Metro Tasmania Pty Ltd present the annual financial report for the year ended 30 June 2016.

Principal Activities

The principal activity of the company during the financial year was the provision of bus passenger transport services in the Tasmanian urban centres of Hobart, Launceston and Burnie, and to some regional centres around Hobart and Burnie.

Review of Operations

For the year ended 30 June 2016 the company achieved a profit before income tax of \$459,000 (2015: profit of \$50,000) and an after tax profit of \$320,000 (2015: profit of \$35,000). A detailed review of operations is contained in the Chairperson's Review on page 2 and in the Chief Executive Officer's Report on page 4.

Dividends

The Directors do not recommend payment of a dividend this year. No dividend was paid for the year ended 30 June 2015.

Changes in State of Affairs

There were no significant changes in the state of affairs of the company that occurred during the financial year under review.

Subsequent Events

There has not been any matter or circumstance other than that referred to in the Financial Statements or Notes thereto that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operation of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

Likely Future Developments

Metro will receive funding of \$4.5 million per annum over the 2016-17 Budget and Forward Estimates period as an equity contribution to implement a Metro Bus Infrastructure capital initiative that will give the advanced manufacturing sector in Tasmania an opportunity to bid for customisation and fit-out work to deliver an accelerated replacement bus fleet. This funding, together with the additional \$13 million received in 2015-16 as an equity contribution will be used to fund Metro's bus replacement program over the next 3-4 years.

Directors

The names of the Directors in office during and since the end of the financial year are set out in Note 20 of the Financial Statements. The names of current Directors and details of their qualifications and experience appear on pages 16-17. Directors are appointed for terms of three years by the Shareholders and are eligible for reappointment in accordance with the Guidelines for Government Businesses – Board Appointments issued by the Department of Treasury and Finance. The Chairperson is appointed annually by the Shareholders.

Directors and Executives' Remuneration

Fees paid to Directors are approved by the Shareholders in accord with the Remuneration Framework for Government Boards. Details are set out in Note 20 of the Financial Statements. During the twelve months, no Director has received, or become entitled to receive, a benefit by reason of a contract made by the company with a Director or with a firm of which he or she is a member or an entity in which he or she has a financial interest.

Remuneration for Executives at Metro is set in accordance with the Guidelines for Tasmanian Government Businesses Director and Executive Remuneration, dated October 2015. Under these guidelines the remuneration band for the Chief Executive Officer is determined

by the Government Business Executive Remuneration Panel and reflects the principles outlined in the guidelines. Remuneration for other Metro Executives is set with reference to the Chief Executive Officer's remuneration. Metro is fully compliant with these guidelines relating to the setting of, and reporting of Executive remuneration.

Corporate Governance

The Board of Directors is responsible for the overall corporate governance of the company. Corporate governance is the system by which the activities of a company are controlled and coordinated in order for the company to achieve its desired outcomes.

During the year the company completed its annual update of its Corporate Governance Handbook and ensured that governance practices were in compliance with the Governance Framework Guide for Tasmanian Government Businesses issued by the Department of Treasury and Finance. The company has adopted where practical, governance practices in accord with the ASX eight core principles referenced in this Guide.

As a state-owned company the Board is responsible to its Shareholders for meeting the expectations of the State Government.

The Board performs this role by:

- Appointing and monitoring the performance of the Chief Executive Officer;
- Clearly identifying and enunciating the strategic direction for the company;
- Identifying and addressing the principal risks for the company;
- Monitoring the conduct and performance of the company through an integrated framework of controls;
- Ensuring all of the company's business is conducted in an honest, open and ethical manner; and
- Ensuring adequate succession planning is undertaken.

Remuneration Committee

The Remuneration Committee comprises three Directors and is chaired by Director, Mr Geoffrey Hazell. This Committee oversees remuneration practices and policies in relation to executive managers and other staff of the company.



Audit and Risk Committee

The Audit and Risk Committee comprises three Directors and is chaired by Director, Mr Nick Burrows. This Committee considers and monitors matters relating to financial integrity, external reporting, risk management, and internal and external audit functions.

Better Metro Committee

The Better Metro Committee comprises two Directors and is chaired by Director, Mr Michael Harris. This Committee provides support and guidance for the "Better Metro" cultural change project.

Board and Committee Meetings

The number of meetings (Board and Committee meetings) attended by each Director during the financial year ended 30 June 2016 are:

Director	Board		Audit & Risk Committee		Remuneration Committee		Better Metro Committee	
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended
Lynn Mason	13	13	-	-	1	1	6	6
Geoffrey Hazell	13	13	3	2	1	1	-	-
Nick Burrows	13	13	6	6	-	-	-	-
Michael Harris	13	13	6	6	1	1	4	4
Ian Newman	8	8	2	2	-	-	2	2
Tim Gardner	5	5	-	-	-	-	-	-

(1) The number of meetings held while the Director was a member of the Board and Committees.

Indemnification of Directors and Officers

During the financial year the company paid a premium for an insurance policy to insure the Directors and Officers of the company against liabilities to the extent permitted by the Corporations Act 2001.

Superannuation Declaration

The company has met its obligations under the Superannuation Guarantee (Administration) Act 1992 in respect to those employees who are members of a complying superannuation scheme to which the company contributes. The company also has a defined benefit scheme, under the Retirement Benefits Act 1993, which is subject to actuarial valuations and covers current and former employees.

DIRECTORS' REPORT



Buy Local

Metro is fully compliant with the requirements of the Guidelines for Tasmanian Government Businesses, Buy Local dated September 2014.

The following tables meet the reporting requirements of the Guidelines.

Purchases from Tasmanian Businesses	
% of purchases from Tasmanian businesses	56.72%
Value of purchases from Tasmanian businesses	\$15,217,839

Consultancies valued at more than \$50,000 (ex GST)				
Name of consultant	Location	Description	Period of engagement	Amount
Phillip Boyle & Associates	Victoria	Hobart Network Review	July 2015 to December 2015	\$129,478
Total				\$129,478
There were 14 consultants engaged for \$50,000 or less totalling				\$156,252
Total Payments to Consultants				\$285,730

Payment of Accounts

Metro is fully compliant with the requirements of the Guidelines for Tasmanian Government Businesses, Payment of Accounts dated September 2014.

The following table meets the reporting requirements of the Guidelines.

Payment of Accounts	
Creditor Days	30
Number of accounts due for payment	7,793
Number of accounts paid on time	7,303
Amounts due for payment	\$26,474,127
Amounts paid on time	\$25,752,092
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	\$0

Auditor's Independence Declaration

The financial report of the Company is independently audited by the Tasmanian Auditor-General. The Auditor-General has provided the Directors with an Independence Declaration as required under s307C of the *Corporations Act 2001* and is included on page 21.

Overseas Travel

During the year there was no overseas travel undertaken.

Rounding Off of Amounts

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s298 (2) of the *Corporations Act 2001*.

Lynn Mason
Chairperson

7 August 2016

AUDITOR'S INDEPENDENCE DECLARATION



Tasmanian
Audit Office

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

4 August 2016

The Board of Directors
Metro Tasmania Pty Ltd
PO Box 61
MOONAH TAS 7009

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 Metro Tasmania Pty Ltd for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

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

...1 of 1

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

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DIRECTORS' DECLARATION

METRO TASMANIA PTY LTD

DIRECTORS' DECLARATION

1. In the opinion of the Directors of the Consolidated Entity:
 - (a) the Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
 - (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declaration required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2016.
3. The Directors draw attention to Note 2(a) to the Consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Lynn Mason

Chairperson



Geoffrey Hazell

Deputy Chairperson

4 August 2016

INDEPENDENT AUDIT REPORT



Tasmanian
Audit Office

Independent Auditor's Report

To the Members of Metro Tasmania Pty Ltd

Consolidated Financial Report for the Year Ended 30 June 2016

Report on the Consolidated Financial Report

I have audited the accompanying consolidated financial report (the financial report) of Metro Tasmania Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2016 and the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration on the financial report of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion:

- (a) the Company's financial report is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its own and the consolidated entity's financial position as at 30 June 2016 and their financial performance for the year ended on that date
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

The Responsibility of the Directors for the Financial Report

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

...1 of 2

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INDEPENDENT AUDIT REPORT

Auditor's Responsibility

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

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

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

The *Audit Act 2008* 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*, was provided to the Directors on the same date as this auditor's report and is included in the Directors' report.

Tasmanian Audit Office



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

Hobart
4 August 2016

...2 of 2

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	22,664	9,243
Trade and other receivables	8	432	666
Inventories	9	1,867	1,916
Assets held for sale	10	63	166
Other current assets	11	674	1,777
TOTAL CURRENT ASSETS		25,700	13,768
NON-CURRENT ASSETS			
Property, plant and equipment	12	44,505	42,647
Intangible assets	13	336	410
Deferred tax assets	6(d)	9,818	8,551
TOTAL NON-CURRENT ASSETS		54,659	51,608
TOTAL ASSETS		80,359	65,376
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	4,880	4,482
Employee benefits	15	5,054	5,497
TOTAL CURRENT LIABILITIES		9,934	9,979
NON-CURRENT LIABILITIES			
Employee benefits	15	26,222	21,993
Deferred tax liabilities	6(d)	2,932	3,003
TOTAL NON-CURRENT LIABILITIES		29,154	24,996
TOTAL LIABILITIES		39,088	34,975
NET ASSETS		41,271	30,401
EQUITY			
Contributed equity	16	28,503	15,503
Asset revaluation reserves	17	12,923	12,251
Retained profits / (losses)	18	(155)	2,647
TOTAL EQUITY		41,271	30,401

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
REVENUE			
Passenger transport operations	4(a)	48,477	48,648
Other income	4(b)	1,228	814
Financial income	4(c)	180	191
Additional Government funding income	4(d)	3,250	3,250
		53,135	52,903
EXPENSES			
Passenger transport operations	5(a)	(38,076)	(38,359)
Engineering and maintenance services	5(b)	(7,164)	(7,332)
Administration and general	5(c)	(6,411)	(6,191)
Finance costs	5(d)	(1,025)	(971)
		(52,676)	(52,853)
Profit/(loss) before income tax		459	50
Income tax(expense)/benefit	6(a)	(139)	(15)
Profit/(loss) for the year		320	35

The Consolidated Statement of Profit or Loss is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Profit/(loss) for the year		320	35
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net asset revaluation increment/(decrement)	12(b)	1,055	(28)
Actuarial gain/(loss) on defined benefit plan	28	(4,555)	2,698
Income tax on other comprehensive income	6(c)	1,050	(782)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in fair value of available-for-sale financial assets		-	(62)
Total other comprehensive income for the year, net of income tax		(2,450)	1,826
Total comprehensive income for the year		(2,130)	1,861

The Consolidated Statement of Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Contributed equity	Asset revaluation reserves	Retained profits/ (losses)	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	15,503	12,251	2,647	30,401
Profit/(loss)	-	-	320	320
Other comprehensive income	-	672	(3,122)	(2,450)
Total comprehensive income for the year	-	672	(2,802)	(2,130)
Equity contribution	13,000	-	-	13,000
Balance as at 30 June 2016	28,503	12,923	(155)	41,271

For the year ended 30 June 2015

	Contributed equity	Asset revaluation reserves	Retained profits/ (losses)	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	15,503	12,357	680	28,540
Profit/(loss)	-	-	35	35
Other comprehensive income	-	(106)	1,932	1,826
Total comprehensive income for the year	-	(106)	1,967	1,861
Balance as at 30 June 2015	15,503	12,251	2,647	30,401

The Consolidated Statement of Changes In Equity is to be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales, service contracts and additional Government funding		54,466	54,053
Interest received	4(c)	180	191
Cash paid to suppliers and employees		(49,403)	(50,527)
Net cash from operating activities	22(a)	5,243	3,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		156	127
Acquisition of property, plant and equipment		(4,978)	(1,359)
Net cash used in investing activities		(4,822)	(1,232)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity contribution		13,000	-
Net cash from financing activities		13,000	-
Net increase/(decrease) in cash and cash equivalents		13,421	2,485
Cash and cash equivalents at the beginning of the financial year		9,243	6,758
Cash and cash equivalents at the end of the financial year	22(b), 7	22,664	9,243

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. REPORTING ENTITY

Metro Tasmania Pty Ltd (the "Company") is a Tasmanian State Owned Company domiciled in Australia. The address of the Company's registered office is 212 – 220 Main Road, Moonah, Tasmania. The consolidated Financial Statements as at and for the year ended 30 June 2016 comprise the Company and its subsidiary Metro Coaches (Tas) Pty Ltd (together referred to as "Metro").

Note 2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated Financial Statements are in accordance with:

- Australian Accounting Standards, including the Australian equivalents to International Financial Reporting Standards (AIFRS) and Interpretations;
- Treasurer's Instructions issued under the Government Business Enterprises Act 1995; and
- Financial disclosure requirements of the Corporations Act 2001, where applicable to the operations of Metro and its subsidiaries, and other requirements of the law.

In complying with AIFRS, Metro is ensuring that the consolidated Financial Statements and accompanying notes are also compliant with International Financial Reporting Standards.

The consolidated Financial Statements were authorised for issue by the Board of Directors on 4 August 2016.

(b) Basis of Measurement

These consolidated Financial Statements have been prepared on an accrual basis and are based on historical costs and do not take into account changing money values except for land, buildings and buses which are measured at fair value. The accounting policies have been consistently applied, unless otherwise stated.

(c) Functional and Presentation Currency

These consolidated Financial Statements are presented in Australian dollars, which is Metro's functional currency.

Metro is an entity referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Due to rounding, some figures may not add exactly to the totals.

(d) Judgements and Assumptions

In the application of Australian Accounting Standards, Metro is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by Metro that have significant effects on the Financial Statements are disclosed in the relevant notes to the Financial Statements.

Metro has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Examples of judgements, estimates and assumptions include, and are not limited to:

- Impairment (Trade and Other Receivables, Inventory, Plant, Property and Equipment and Assets held for Sale) – Notes 3 (k), 8, 9, 10 and 12;
- Measurement of defined benefit obligations (Employee Benefits) – Notes 3 (n) and 28;
- Revaluation of buses (Property, Plant and Equipment) – Notes 3(j) and 10;
- Depreciation and Amortisation (Property, Plant and Equipment) – Notes 3 (n) and 10; and
- Provisions – Notes 3(o) and 15.

NOTES TO THE FINANCIAL STATEMENTS

(e) Changes in Accounting Policies and Estimates

Impact of new and revised Accounting Standards

In the current year, Metro has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Metro has reviewed, and where relevant, adopted the following standard:

- AASB 2015-3
Various Accounting Standards

This standard makes amendments to accounting standards arising from the withdrawal of AASB 1031 *Materiality*. This change applies to annual reporting periods beginning on or after 1 July 2015. When assessing materiality, the requirements of AASB 101 *Presentation of Financial Statements* and AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors* must now be applied. The adoption of this standard has no material impact on the financial statements.

Impact of new and revised Accounting Standards yet to be applied

The Standards and Interpretations listed below were in issue but not yet effective and are yet to be applied:

- AASB 15 *Revenue from Contracts with Customers*, and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* (effective from 1 January 2018).

Under the new standard, a single model that applies to contracts with customers and two approaches to recognising revenue, at a point in time or over time is proposed. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Metro has assessed the impact and concluded that there will be financial impact on the financial statements.

- AASB 9 *Financial Instruments* and the relevant amending standards (effective from 1 January 2018).

The final version of AASB9 replaces AASB139 *Financial Instruments: Recognition and Measurement*.

This standard introduces new requirements for classifying and measuring financial assets and maintains the existing amortised cost measurement basis for financial liabilities. A new impairment model based on expected credit losses will apply. A new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities.

A full review of the impact of this standard is being undertaken, however management expects it will not have a material impact on the financial statements.

- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 Presentation of Financial Statements* (effective from 1 January 2017)

The standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Includes amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements (removes the requirement to disclose immaterial information).

- AASB 2016-2 AASB 107 *Statement of Cash Flows*

This standard shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Note 3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated Financial Statements have been prepared by combining the Financial Statements of all the entities that comprise the economic entity, being Metro Tasmania Pty Ltd (the parent entity) and its controlled entity Metro Coaches (Tas) Pty Ltd. Refer to Note 27. Consistent accounting policies have been employed in the preparation and presentation of the consolidated Financial Statements.

In preparing the consolidated Financial Statements, all inter-company transactions, balances, income and expenses are eliminated in full.

(b) Goods and Services Tax (GST)

Revenue, expenses, assets and liabilities are recognised net of the amount of GST, except for receivables and payables that are recognised inclusive of GST or where GST is not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Consolidated Statement of Financial Position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO.

(c) Revenue

Passenger transport operations revenue

Ticket fares revenue is recognised at the time the ticket is purchased.

Service contract revenue is recognised when received.

Greencard top-ups are accounted for using a Greencard liability account. Greencard revenue is recognised at the time the boarding is made with a corresponding offset to the Greencard liability account.

Other income

The net gain (loss) of non-current asset sales are included as income (expenses) at the date control passes to the buyer, usually when an unconditional contract of sale is signed.

The net gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Financial income

Interest is recognised as it accrues.

Additional Government funding income

Additional Government funding income is recognised when received, unless it has been designated as an equity contribution by the Tasmanian State Treasurer. Where this occurs the funding is allocated directly to "Contributed Equity" and is reflected in the Consolidated Statement of Changes in Equity.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and call deposits with original maturities of three months or less.

(e) Trade and Other Receivables

Trade and other receivables are recorded at nominal amounts due less any provision for impairment and are recognised on delivery of services to customers. Metro's principal revenue streams are from State Government Contracts and ticket fares. Accordingly, exposure to credit risk is minimal. An estimate for impairment is made when collection of the full amount is no longer probable. Impaired receivables are written off when identified.

(f) Assets held for sale

Assets which satisfy the criteria in AASB 5 'Non-Current Assets Held for Sale' are transferred to current assets and separately disclosed as assets held for sale on the face of the Consolidated Statement of Financial Position. These assets are measured at the lower of carrying amount and fair value less costs to sell. These assets cease to be depreciated from the date which they satisfy the held for sale criteria.

(g) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to Metro prior to the end of the financial year which are unpaid. Measurement is based on the agreed purchase/ contract cost. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Financial Instruments

It is not current Metro policy to utilise derivative financial instruments as a means of managing exposure to risks.

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised and classified as set out below:

NOTES TO THE FINANCIAL STATEMENTS

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(i) Inventories

Inventories are valued at the lower of cost or net realisable value and consists of bus spare parts, fuel and consumable stores.

(j) Property, Plant and Equipment

Items of property, plant and equipment greater than \$1,000 are capitalised and measured at cost less accumulated depreciation and impairment loss with the exception of land, buildings and the bus fleet which are independently valued at fair value.

Assets held for sale within the next twelve months are disclosed as current assets.

Revaluations

The bus fleet, land and buildings are independently revalued on a three yearly basis. An indexation analysis for land and buildings is performed in subsequent years to ensure they reflect fair value at balance date. All other property, plant and equipment are also revalued with sufficient regularity to ensure they reflect fair value at balance date.

Revaluation increments are recognised in other comprehensive income and/or accumulated in equity under asset revaluation reserve. The increment is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Revaluation decrements are recognised in profit or loss. However, revaluation decrements are recognised in other comprehensive income to the extent of any credit balance existing in the asset revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under asset revaluation reserve.

Depreciation

Depreciation is recognised in the Consolidated Statement of Profit or Loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment (excluding land and the bus fleet) as follows:

Buildings	40 years
Route infrastructure	10 years
Office equipment	4 years
Electronic ticketing and communication equipment	10 years
CCTV equipment	5 years
Plant and equipment	10 years
Auxiliary vehicles	4 years

Land is not depreciated.

The bus fleet is depreciated using the 'Fleet Depreciation Profile' with an effective life of 30 years as recommended by the independent valuer.

(k) Impairment of Assets

The carrying values of tangible and intangible assets are reviewed at each reporting date for impairment when events or changes in circumstances indicate that the carrying value may exceed the recoverable amount. The asset is then written down to the recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use.

(l) Intangible Assets

Intangible assets are valued at fair value where an active market exists or recognised at cost where no active market exists.

NOTES TO THE FINANCIAL STATEMENTS

Amortisation is recognised in the Consolidated Statement of Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use as follows:

Licences	4 years
Computer software	4 years

(m) Leases

Lease payments for the operating leases on property where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(n) Employee Benefits

Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Discount rates used reflect Corporate bond rates that closely match the terms of maturity of the related liabilities.

Compensated benefits

Annual leave

The provision for annual leave represents the amount Metro has a present obligation to pay resulting from employees' services provided up to balance date. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Balances expected to be realised after 12 months are discounted. The provision has been calculated at the amounts expected to be paid when the liability is settled and includes superannuation on-costs.

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflow to be made by the employer resulting from employees' services provided up to balance date. In determining the liability for employee benefits, account has been taken of future increases in wage and salary rates, and Metro's experience with staff departures. Related superannuation on-costs also have been included in the liability.

Retirement benefits

Defined benefit superannuation plan

The State Actuary has provided actuarial calculations of the current benefit of the defined benefit liability under the Retirement Benefits Fund (RBF) for current and former employees of Metro. The defined benefit section of RBF is closed to new members. All new members receive accumulation only benefits.

The RBF is a defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary). The RBF has Contributory members, Compulsory preserved members and Pensioners.

Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur, and presented in the Consolidated Statement of Other Comprehensive Income and the Consolidated Statement of Changes in Equity. Interest costs are recognised in finance costs and service costs are recognised in employee and related expenses in the Consolidated Statement of Profit or Loss. Details are referred to at Note 28.

(o) Provisions

A provision is recognised when there is a present, legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Dividends

Dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash. No dividend was recommended by the Board prior to the end of the current or previous financial years.

(p) Income Tax

The charge for current tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items that may be recognised directly into equity, in which case the deferred tax is adjusted directly against equity. The carrying amounts of tax assets and liabilities have been calculated at the current income tax rate of 30%.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that Metro will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(q) Tax Consolidation

The parent entity and its wholly owned Australian resident subsidiary formed a tax consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Metro Tasmania Pty Ltd and the subsidiary entity is Metro Coaches (Tas) Pty Ltd.

(r) Segment Reporting

Metro operates bus services in Hobart, Launceston and Burnie. There are no reportable segments as the economic risks and returns in each location are similar given the New Services Contract with Government.

NOTES TO THE FINANCIAL STATEMENTS

	2016 \$'000	2015 \$'000
Note 4. REVENUE		
(a) Passenger transport operations		
Service contracts	36,778	37,013
Ticket fares	11,699	11,635
	48,477	48,648
(b) Other income		
Profit on disposal of property, plant and equipment	34	30
Advertising income	545	509
Rental income	14	12
Full tax credit refund	393	-
Other income	242	263
	1,228	814
(c) Financial income		
Interest income	180	191
	180	191
(d) Additional Government funding		
Additional Government funding (Note 26)	3,250	3,250
	3,250	3,250
Total income	53,135	52,903

	2016 \$'000	2015 \$'000
Note 5. EXPENSES		
(a) Passenger transport operations		
Fuel	4,202	5,224
Employee and related expenses	27,044	25,762
Depreciation and amortisation expenses	3,494	3,963
Other expenses	3,336	3,410
	38,076	38,359
(b) Engineering and maintenance services		
Maintenance expense	4,315	4,427
Employee and related expenses	2,574	2,665
Depreciation and amortisation expenses	275	240
	7,164	7,332
(c) Administration and general		
Employee and related expenses	3,144	3,327
Depreciation and amortisation expenses	439	496
Other expenses	2,828	2,368
	6,411	6,191
(d) Finance costs		
Interest expense	-	-
Actuarial interest costs	1,025	971
	1,025	971
Total expenses	52,676	52,853

NOTES TO THE FINANCIAL STATEMENTS

	2016 \$'000	2015 \$'000
Note 6. INCOME TAX		
(a) Income tax expense recognised in the Consolidated Statement of Profit or Loss		
Current tax expense		
Current tax	593	498
Adjustment for prior years	-	(1)
Deferred tax expense		
Decrease/(increase) in deferred tax asset	(1,433)	805
Increase/(decrease) in deferred tax liability	(71)	(504)
Less recognised directly in equity	1,050	(783)
Income tax expense/(benefit)	139	15
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Prima facie tax/(tax benefit) on profit/(loss) from operating activities before income tax at 30% (2015: 30%)	138	15
Add tax effect of:		
Entertainment (non-deductible)	1	1
Prior year under/(over) provision	-	(1)
	139	15
(c) Income tax expense recognised directly to equity		
Property, plant and equipment (Note 17)	316	(27)
Superannuation (Note 18)	(1,366)	809
	(1,050)	782
(d) Non-current and deferred tax balances		
Assets:		
Deferred tax assets	9,818	8,551
	9,818	8,551
Liabilities:		
Deferred tax liability	2,932	3,003
	2,932	3,003
	6,886	5,548

NOTES TO THE FINANCIAL STATEMENTS

Note 6. INCOME TAX (continued)

2016	Opening balance 1 July 2015	Prior year adjustment	Recognised in the Consolidated Statement of Other Comprehensive Income	Recognised in equity	Balance at 30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Superannuation	6,585	-	20	1,366	7,971
Tax losses	168	-	(168)	-	-
Employee benefits	1,509	-	-	-	1,509
Provision for impairment	-	-	-	-	-
Accrued costs	280	-	27	-	307
Other provisions	12	-	20	-	32
Prepayments	(66)	-	(1)	-	(67)
Inventories	(77)	-	19	-	(58)
Property, plant and equipment	(2,844)	-	358	(317)	(2,803)
Accrued income	(18)	-	13	-	(5)
Total	5,548	-	288	1,049	6,886

2015	Opening balance 1 July 2014	Prior year adjustment	Recognised in the Consolidated Statement of Other Comprehensive Income	Recognised in equity	Balance at 30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Superannuation	7,305	-	89	(809)	6,585
Tax losses	684	(18)	(498)	-	168
Employee benefits	1,635	-	(126)	-	1,509
Provision for impairment	-	-	-	-	-
Accrued costs	248	-	32	-	280
Other provisions	2	-	10	-	12
Prepayments	(63)	-	(3)	-	(66)
Inventories	(61)	-	(16)	-	(77)
Property, plant and equipment	(3,389)	19	499	27	(2,844)
Accrued income	(16)	-	(2)	-	(18)
Total	6,346	1	(15)	(782)	5,548

NOTES TO THE FINANCIAL STATEMENTS

	2016	2015
	\$'000	\$'000
Note 7. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	5,066	2,260
Call deposit at Tascorp	4,598	6,983
Term deposit at CBA	13,000	-
	22,664	9,243

	2016	2015
	\$'000	\$'000
Note 8. TRADE AND OTHER RECEIVABLES		
Trade receivables	257	463
Less provision for impairment	-	(3)
Other receivables	175	206
	432	666

	2016	2015
	\$'000	\$'000
Note 9. INVENTORIES		
Inventories	1,974	1,953
Less provision for obsolescence	(107)	(37)
	1,867	1,916

	2016	2015
	\$'000	\$'000
Note 10. ASSETS HELD FOR SALE		
Property, plant and equipment	63	166
	63	166
Assets held for sale relates to 7 buses (2015: 17 buses) and are expected to be settled within 12 months. The level 2 fair value of the buses as at 30 June 2016 is \$63,000 (2015: \$166,000).		

	2016	2015
	\$'000	\$'000
Note 11. OTHER CURRENT ASSETS		
Prepayments	674	1,777
	674	1,777

NOTES TO THE FINANCIAL STATEMENTS

Note 12. PROPERTY, PLANT AND EQUIPMENT		2016 \$'000	2015 \$'000
(a) Carrying amounts			
Land and buildings			
Land			
At fair value	7,535	7,535	
Total	7,535	7,535	
Buildings			
At fair value	6,328	6,290	
Less: accumulated depreciation	(158)	-	
Total	6,170	6,290	
Total land and buildings	13,705	13,825	
Buses			
At fair value	26,823	30,388	
Less: accumulated depreciation	-	(6,366)	
Total	26,823	24,022	
Route infrastructure			
At cost	3,387	3,409	
Less: accumulated depreciation	(2,219)	(2,274)	
Total	1,168	1,135	
Office equipment			
At cost	1,615	1,681	
Less: accumulated depreciation	(1,334)	(1,427)	
Total	281	254	
Electronic ticketing & communication equipment			
At cost	5,061	5,058	
Less: accumulated depreciation	(3,309)	(2,806)	
Total	1,752	2,252	

NOTES TO THE FINANCIAL STATEMENTS

Note 12. PROPERTY, PLANT AND EQUIPMENT (Continued)		2016 \$'000	2015 \$'000
CCTV Equipment			
At cost		1,293	1,255
Less: accumulated depreciation		(1,243)	(1,226)
Total		50	29
Plant and equipment			
At cost		1,284	1,222
Less: accumulated depreciation		(818)	(813)
Total		466	409
Auxiliary vehicles			
At cost		429	463
Less: accumulated depreciation		(169)	(201)
Total		260	262
Work in progress			
At cost		-	459
Total		-	459
Total property, plant and equipment		44,505	42,647

NOTES TO THE FINANCIAL STATEMENTS

Note 12. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Reconciliation of movements in carrying amounts

2016	Land and buildings	Buses	Route infrastructure	Office equipment	Electronic ticketing and communication equipment	CCTV equipment	Plant and equipment	Auxiliary vehicles	Work in progress	Total
	at fair value	at fair value	at cost	at cost	at cost	at cost	at cost	at cost	at cost	at cost
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	13,825	24,022	1,135	254	2,252	29	409	262	459	42,647
Additions	38	4,197	190	144	6	38	134	212	-	4,959
Disposals	-	(40)	-	-	-	-	-	(103)	-	(143)
Revaluation increments/(decrements)	-	1,107	-	-	-	-	-	-	-	1,107
Impairment losses	-	(21)	-	-	-	-	-	-	-	(21)
Net transfers	-	459	-	-	-	-	-	-	(459)	0
Depreciation	(158)	(2,901)	(157)	(117)	(506)	(17)	(77)	(111)	-	(4,044)
Carrying amount at 30 June	13,705	26,823	1,168	281	1,752	50	466	260	-	44,505

2015	Land and buildings	Buses	Route infrastructure	Office equipment	Electronic ticketing and communication equipment	CCTV equipment	Plant and equipment	Auxiliary vehicles	Work in progress	Total
	at fair value	at fair value	at cost	at cost	at cost	at cost	at cost	at cost	at cost	at cost
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	13,962	27,563	1,061	404	2,669	156	330	290	120	46,555
Additions	17	-	218	148	80	8	161	173	339	1,144
Disposals	-	(20)	-	-	(1)	-	(14)	(79)	-	(114)
Revaluation increments/(decrements)	(28)	(60)	-	-	-	-	-	-	-	(88)
Impairment losses	-	(89)	-	-	-	-	-	-	-	(89)
Net transfers	-	(166)	-	-	-	-	-	-	-	(166)
Depreciation	(125)	(3,207)	(144)	(298)	(496)	(135)	(68)	(122)	-	(4,595)
Carrying amount at 30 June	13,825	24,022	1,135	254	2,252	29	409	262	459	42,647

NOTES TO THE FINANCIAL STATEMENTS

Note 12. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Fair value measurement of buses and land and buildings

An independent fair value valuation of 'in service' buses was performed as at 30 June 2016 by Mr R.A. van Raay FAPI, FRICS, ASA, AFAIM, CMILT, Certified Practising Valuer of PricewaterhouseCoopers.

The valuation was performed on the basis of 'fair value' in accordance with the requirements of AASB 116 (*Property, Plant & Equipment*) and AASB113 (*Fair Value Measurement*).

Fair value reflects the intention to determine a value that is equitable to both parties. Fair value is defined as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction".

The Metro fleet was valued based on the assumption that the business is a continuing one and is based on level 2 inputs - sale prices of a comparable bus at the same age and type.

An independent fair value valuation of land and buildings was performed as at 30 June 2015 by the Opteon Property Group.

This valuation was performed on an 'in use' basis assuming that the properties will continue to be used by Metro, are not surplus to Metro's current needs and Metro does not intend to vacate the premises.

The valuer assessed the value assuming a notional 10 year lease using market rates for similar accommodation in the area and considering the location and quality of the accommodation currently situated on each site.

Sales transactions and information such as site area and zoning were analysed in arriving at rate per square metre. Under the capitalisation method used, the annual income was calculated and then any outgoings were deducted to arrive at the net market income.

The net market income was then divided by the percentage return (known as the capitalisation rate) required by prospective purchases to arrive at the capitalised value. The valuer used the capitalisation rate of 8.25% which was based on the analysis of sales.

Details of Metro's buses and land and buildings and information about the fair value hierarchy as at 30 June 2016 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair Value as at 30 June 2016 \$'000
Buses		26,823		26,823
Land and buildings		13,705		13,705

There were no transfers between Level 1 and Level 2 during the year.

Had Metro's buses, land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	2016 \$'000	2015 \$'000
Buses	18,760	16,131
Land and buildings	7,825	7,906

Note 13. INTANGIBLE ASSETS

(a) Carrying amounts

	2016 \$'000	2015 \$'000
Computer software		
At cost	1,262	1,212
Less: accumulated amortisation	(926)	(802)
Total	336	410
Total intangibles	336	410

(b) Reconciliation of movements in carrying amounts

	2016 \$'000	2015 \$'000
Carrying amount at 1 July	410	178
Additions- other development	117	336
Disposals	(27)	0
Amortisation	(164)	(104)
Carrying amount at 30 June	336	410

NOTES TO THE FINANCIAL STATEMENTS

	2016	2015
	\$'000	\$'000
Note 14. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	4,464	4,128
Employee benefits oncosts	416	354
	4,880	4,482

	2016	2015
	\$'000	\$'000
Note 15. EMPLOYEE BENEFITS		
Current:		
Retirement benefits	1,385	1,108
Compensated benefits:		
Accrued salaries and wages	450	1,113
Annual leave	1,356	1,488
Long service leave	1,863	1,788
	5,054	5,497
Non-current:		
Retirement benefits	25,185	20,840
Compensated benefits:		
Long service leave	1,037	1,153
	26,222	21,993
	31,276	27,490

	2016	2015
	\$'000	\$'000
Note 16. CONTRIBUTED EQUITY		
Balance at beginning of financial year	15,503	15,503
Equity contribution	13,000	-
Balance at end of financial year	28,503	15,503

NOTES TO THE FINANCIAL STATEMENTS

Note 17. ASSET REVALUATION RESERVES

2016	Land and buildings \$'000	Buses \$'000	Total \$'000
Balance at beginning of financial year	3,973	8,279	12,251
Revaluation increments/(decrements)	-	1,105	1,105
Impairment losses	-	-	-
Disposal of revalued buses	-	(118)	(118)
Deferred tax asset/(liability)	-	(316)	(316)
Balance at end of financial year	3,973	8,950	12,923

2015	Land and buildings \$'000	Buses \$'000	Total \$'000
Balance at beginning of financial year	4,001	8,356	12,357
Revaluation increments/(decrements)	(28)	(60)	(88)
Impairment losses	-	-	-
Disposal of revalued buses	-	(44)	(44)
Deferred tax asset/(liability)	-	27	27
Balance at end of financial year	3,973	8,279	12,251

The asset revaluation reserves are used to record increments and decrements on the revaluation of non-current assets.

Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset is transferred to retained profits.

Note 18. RETAINED PROFITS / (LOSSES)

	2016 \$'000	2015 \$'000
Balance at beginning of financial year	2,647	680
Net profit/(loss)	320	35
Revaluation increments (decrements) attributable to assets disposed of during the year	66	44
Defined benefit plan actuarial gains/(losses)	(4,554)	2,698
Related income tax	1,366	(809)
Balance at end of financial year	(155)	2,647

Note 19. COMMITMENTS FOR EXPENDITURE

	2016 \$'000	2015 \$'000
Capital commitments:		
Payments within 1 year	4,893	3,251
Payments 1-5 years	-	-
	4,893	3,251
Operating lease commitments:		
Payments within 1 year	153	169
Payments 1-5 years	133	63
	286	232
Other commitments:		
Payments within 1 year	2,101	2,617
Payments 1-5 years	2,078	2,250
	4,179	4,867

NOTES TO THE FINANCIAL STATEMENTS

Note 20. RELATED PARTIES

Key Management Personnel compensation

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

	2016	2015
	\$	\$
Short-term employee benefits	1,225,195	979,048
Post-employment benefits	104,067	84,253
Other long-term benefits	-	-
Termination Benefits	16,331	3,386
	1,345,593	1,066,687

(a) Director Remuneration

The following tables disclose the remuneration details for each person that acted as a Director during the current and previous financial year:

	2016				
	Directors' Fees	Committee Fees	Superannuation ¹	Other ²	Total 2016
	\$	\$	\$	\$	\$
Non-Executive Directors					
Ms Lynn Mason (Chairperson)	52,699	-	5,006	13,575	71,280
Mr Geoffrey Hazell (Deputy Chairperson)	25,706	-	2,442	847	28,995
Mr Ian Newman (ceased 22 December 2015)	13,390	-	1,272	5,837	20,499
Mr Tim Gardner (commenced 22 December 2015)	13,248	-	1,259	223	14,730
Mr Nick Burrows	25,706	-	2,442	828	28,976
Mr Michael Harris	25,706	-	2,442	1,627	29,775
Total	156,455	-	14,863	22,937	194,255

	2015				
	Directors' Fees	Committee Fees	Superannuation ¹	Other ²	Total 2015
	\$	\$	\$	\$	\$
Non-Executive Directors					
Ms Lynn Mason (Chairperson)	51,666	-	4,908	2,897	59,471
Mr Geoffrey Hazell (Deputy Chairperson)	25,202	-	2,394	839	28,435
Mr Ian Newman	25,202	-	2,394	11,971	39,567
Mr Guy Thurston (ceased 28 August 2014)	5,234	-	497	293	6,024
Mr Nick Burrows	25,202	-	2,394	791	28,387
Mr Michael Harris	25,202	-	2,394	1,323	28,919
Total	157,708	-	14,981	18,114	190,803

¹ Superannuation means the contribution to the superannuation fund of the individual.

² Other includes travel allowances.

NOTES TO THE FINANCIAL STATEMENTS

Note 20. RELATED PARTIES (Continued)

(b) Executive Remuneration

The following tables disclose the remuneration details for each person that acted as a senior executive during the current and previous financial year:

	2016							Total 2016
	Salary ¹	Short term incentive ²	Termination benefits ³	Superannuation ⁴	Vehicles ⁵	Other benefits ⁶	Other non- monetary benefits ⁷	
	\$	\$	\$	\$	\$	\$	\$	\$
Mr Stuart Wiggins, Chief Executive Officer	205,305	-	-	19,504	25,759	-	15,770	266,338
Mrs Anita Robertson, Chief Financial Officer	151,084	-	-	14,353	21,919	-	12,378	199,734
Mr Alan Pedley*, Chief Operating Officer	167,802	-	-	15,941	14,068	-	8,907	206,718
Mr Ian Ward, General Manager Infrastructure and Engineering	135,708	-	-	12,892	-	-	289	148,889
Mr Rodney Byfield, General Manager Business Improvement Services (until 4 August 2015)	17,284	-	8,748	2,473	2,400	-	(20,342)	10,563
Ms Megan Morse, General Manager Business Improvement Services (commenced 6 July 2015)	138,272	-	-	13,160	-	-	13,168	164,600
Mr Rolfe Brimfield, General Manager of People and Safety (until 24 March 2016)	137,220	-	7,583	10,881	-	-	(1,188)	154,496
Total	952,675	-	16,331	89,204	64,146	-	28,982	1,151,338

*Acting Chief Executive Officer (9 November 2015 to 1 January 2016)

NOTES TO THE FINANCIAL STATEMENTS

Note 20. RELATED PARTIES (Continued)

(b) Executive Remuneration (continued)

	2015							Total 2015
	Salary ¹	Short term incentive ²	Termination benefits ³	Superannuation ⁴	Vehicles ⁵	Other benefits ⁶	Other non- monetary benefits ⁷	
	\$	\$	\$	\$	\$	\$	\$	\$
Ms Heather Haselgrove, Chief Executive Officer (until 8 August 2014)	30,909	-	3,386	3,258	2,559	-	(33,260)	6,852
Mr Stuart Wiggins, Chief Executive Officer (commenced 10 November 2014)	119,681	-	-	11,370	12,823	-	13,003	156,877
Mrs Anita Robertson, Chief Financial Officer	142,393	-	-	13,527	21,557	-	5,067	182,544
Mr Alan Pedley*, Chief Operating Officer	154,507	-	-	14,678	13,378	-	5,629	188,192
Mr Ian Ward, General Manager Infrastructure and Engineering	125,570	-	-	11,929	-	-	(4,119)	133,380
Mr Rodney Byfield, General Manager Business Improvement Services	119,736	-	-	11,375	23,542	-	8,689	163,342
Mr Rolfe Brimfield, General Manager of People and Safety (commenced 25 May 2015)	8,340	-	-	721	-	-	1,188	10,249
	701,136	-	3,386	66,858	73,859	-	(3,803)	841,436
Acting Senior Executives								
Mr Gregg Lennox, Acting Chief Operating Officer (9 August to 9 November 2014)	27,759	-	-	2,414	3,500	-	775	34,448
	27,759	-	-	2,414	3,500	-	775	34,448
Total	728,895	-	3,386	69,272	77,359	-	(3,028)	875,884

*Acting Chief Executive Officer (9 August to 9 November 2014)

- 1 Gross Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.
- 2 Short term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes (Metro does not pay bonuses).
- 3 Termination benefits include all forms of benefit paid or accrued as a consequence of termination.
- 4 Superannuation means the contribution to the superannuation fund of the individual.
- 5 Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and fringe benefits tax.
- 6 Other benefits includes all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.
- 7 Other non-monetary benefits include annual and conditional long service leave movements and non-monetary benefits (such as housing, subsidised goods or services etc).

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

NOTES TO THE FINANCIAL STATEMENTS

Note 20. RELATED PARTIES (Continued)

(c) Remuneration Principles

Non-Executive Directors

Non-executive directors are appointed by the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed. The level of fees paid to non-executive directors is administered by the Department of Premier and Cabinet.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation. No other leave, termination or retirement benefits are accrued or paid to Directors. Directors are entitled to reimbursement of reasonable 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.

Executive Remuneration

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

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

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

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, contain a termination clause that requires the senior executive or the Board to provide a minimum notice period of up to 1 month prior to termination of the contract, with the exception of the CEO and CFO where the minimum notice period is 3 months.

Termination benefits

Termination payments during the current year included:

Mr R Byfield ceased employment effective 4 August 2015 and was paid \$8,748 representing the balance of his accrued annual leave.

Mr R Brimfield ceased employment effective 24 March 2016 and was paid \$7,583 representing the balance of his accrued annual leave.

Related Party Transactions

There were no transactions with Directors or Director related entities during either financial years.

Note 21. REMUNERATION OF AUDITORS	2016	2015
	\$'000	\$'000
	\$'000	\$'000
External audit services	52	66
Internal audit services	57	47
	109	113

The Company paid \$52,130 to the Tasmanian Audit Office for the audit of the Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 22. CONSOLIDATED CASH FLOW STATEMENT	2016 \$'000	2015 \$'000
(a) Reconciliation of cash flow with profit after income tax		
Profit/(loss) after income tax	320	35
Add (less) non cash items:		
Depreciation	4,044	4,595
Amortisation	164	104
Income tax expense/(benefit)	139	15
Loss on write off of non- current assets	21	-
Loss/(profit) on sale of non-current assets	(34)	(30)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	44	(146)
(Increase)/decrease in inventories	49	(229)
(Increase)/decrease in other current assets	1,103	(1,031)
Increase/(decrease) in trade and other payables	160	405
Increase/(decrease) in provisions	(767)	(1)
Net cash inflow from operating activities	5,243	3,717
(b) Reconciliation of cash		
Cash at bank and on hand	5,066	2,260
Call deposit at Tascorp	4,598	6,983
Term deposit at CBA	13,000	-
Cash as per Consolidated Statement of Cash Flows	22,664	9,243
(c) Credit and standby facilities		
Borrowing limit	3,000	3,000
Credit cards facility limit	20	20
Less used/committed	-	-
Balance of credit facility available	3,020	3,020

NOTES TO THE FINANCIAL STATEMENTS

Note 23. FINANCIAL INSTRUMENTS

Financial risk management policies

Metro's financial instruments consist mainly of deposits with banks, accounts receivable and payable. It is not current Metro policy to utilise derivative instruments as a means of managing exposure to risks.

Metro does not have any derivative instruments in either financial years.

Financial risk exposures and management

The main risks Metro is exposed to through its financial instruments are interest rate risk and credit risk.

(a) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Consolidated Statement of Financial Position and Notes to the Financial Statements.

There are no material amounts of collateral held as security in either financial years.

Metro does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into and manages risk with appropriate credit checks, regular review of balances and structured payment options.

The following table analyses financial assets that are past due but not impaired.

	0 days past due		1-30 days past due		31-90 days past due		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:								
Receivables	245	619	101	33	86	14	432	666

(b) Liquidity risk

Liquidity risk arises from the possibility that Metro might encounter difficulty in settling its debts or otherwise meeting its obligation related to financial liabilities.

Metro manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to Metro's operational, investing and financing activities;
- obtaining funding from a variety of sources;
- only investing short term surplus cash with reputable organisations including Tascorp and the big four financial institutions; and
- monitoring undrawn credit facilities.

Financial liability and Financial asset maturity analysis:

	Weighted average effective interest rate		Floating interest rate		Fixed Interest Rate		Non-interest bearing		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:										
Cash at bank	1.35	1.60	5,066	2,260	-	-	-	-	5,066	2,260
Call deposit at Tascorp	2.24	2.60	4,598	6,983	-	-	-	-	4,598	6,983
Term deposit at CBA	2.78	-	-	-	13,000	-	-	-	13,000	-
Receivables	-	-	-	-	-	-	432	666	432	666
			9,664	9,243	13,000	-	432	666	23,096	9,909

NOTES TO THE FINANCIAL STATEMENTS

Note 23. FINANCIAL INSTRUMENTS (Continued)

	Weighted average effective interest rate		Floating interest rate		Fixed Interest Rate Maturing		Within 1 Year		Non-interest Bearing		Total	
					1 to 5 Years							
	2016 %	2015 %	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial liabilities:												
Trade creditors and accruals	-	-	-	-	-	-	-	-	4,464	4,128	4,464	4,128
	-	-	-	-	-	-	-	-	4,464	4,128	4,464	4,128

	2016 \$'000	2015 \$'000
Less than 6 months	4,464	4,128
6 months to 1 year	-	-
1 - 5 years	-	-
	4,464	4,128

(c) Market risk

(i) Interest rate risk

Exposures to interest rate risk is limited to assets and liabilities bearing variable interest rates.

Metro is not exposed to fluctuations in foreign currencies.

Metro does not have any material interest rate risk and Board approval is required for all investing and borrowing decisions to ensure appropriate interest rates are achieved.

Metro has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on current year results and equity which could result from change in this risk.

Sensitivity analysis:

At 30 June 2016, the effect on profit or loss and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2016 \$'000	2015 \$'000
Change in profit or loss		
- Increase in interest rate by 2%	188	159
- Decrease in interest rate by 2%	(188)	(159)
Change in equity		
- Increase in interest rate by 2%	188	159
- Decrease in interest rate by 2%	(188)	(159)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

No sensitivity analysis has been performed on foreign exchange risk, as Metro is not exposed to foreign currency fluctuations.

NOTES TO THE FINANCIAL STATEMENTS

Note 23. FINANCIAL INSTRUMENTS (Continued)

(d) Net fair values

The net fair value equals the carrying value for all financial assets and liabilities held by Metro.

The net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Consolidated Statement of Financial Position and in the Notes to the Financial Statements.

(e) Financial instruments by categories

	2016 \$'000			2015 \$'000		
	Cash and cash balance Loans and receivables	Financial liabilities measured at amortised cost	Total	Cash and cash balance Loans and receivables	Financial liabilities measured at amortised cost	Total
Financial assets:						
Cash and cash equivalents	22,664	-	22,664	9,243	-	9,243
Receivables	432	-	432	666	-	666
	23,096	-	23,096	9,909	-	9,909
Financial liabilities:						
Trade creditors and accruals	-	4,464	4,464	-	4,128	4,128

(f) Capital risk management

Metro manages its capital tightly to ensure funds are available to implement planned capital expenditure strategies. Metro has reviewed its long term capital expenditure program and continues to assess the options available to finance this program.

Note 24. CONTINGENT LIABILITIES

After due investigation Metro has identified no contingent liabilities.

Note 25. POST BALANCE DATE EVENTS

Metro has not identified any post balance date events requiring adjustments to the Financial Statements.

Note 26. ECONOMIC DEPENDENCY

A significant volume of Metro's operations is performed under contract to the State Government. In addition to this Metro received an additional \$3.25 million (2015 \$3.25 million) to improve its passenger bus fleet and assist with its long term capital replacement program.

Metro will receive funding of \$4.5 million per annum over the 2016-17 Budget and Forward Estimates period as an equity contribution to implement a Metro Bus Infrastructure capital initiative. This will give the advanced manufacturing sector in Tasmania an opportunity to bid for customisation and fit-out work to deliver an accelerated replacement bus fleet.

This funding, together with the additional \$13 million received in 2015-16 as an equity contribution, will be used to fund Metro's bus replacement program over the next 3-4 years.

This funding is necessary to address Metro's ongoing sustainability issues.

Note 27. CONTROLLED ENTITY

	Country of incorporation	Equity interest	
		2016	2015
Parent entity:			
Metro Tasmania Pty Ltd	Australia	-	-
Controlled entity:			
Metro Coaches (Tas) Pty Ltd	Australia	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

Note 28. SUPERANNUATION AND DEFINED BENEFIT PLAN

General Information

The following provides the information that is required to be disclosed in the notes to the financial statements for the year ended 30 June 2016 pursuant to AASB 119. The disclosures are set out in paragraphs 135-152 of the standard.

Due to rounding, some figures may not add exactly to the totals.

Fund Information

Nature of the benefits provided by the Scheme

Defined benefit members receive lump sum benefits on resignation and lump sum or pension benefits on retirement, death or invalidity. The defined benefit section of RBF is closed to new members. All new members receive accumulation only benefits.

Description of the regulatory framework

The Scheme operates under the Retirement Benefits Act 1993 and the Retirement Benefits Regulations 2005.

Although the scheme is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Tasmanian Government has undertaken (in a Heads of Government Agreement) to operate the scheme in accordance with the spirit of the SIS legislation.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), the scheme is not subject to any minimum funding requirements.

RBF is a complying superannuation fund within the provisions of the Income Tax Assessment Act 1997 such that the fund's taxable income is taxed at a concessional rate of 15%. However RBF is also a public sector superannuation scheme which means that employer contributions may not be subject to the 15% tax (if the RBF Board elects) up to the amount of "untaxed" benefits paid to members in the year.

Description of other entities' responsibilities for the governance of the Scheme

The RBF Board (the Board) is responsible for the governance of the Scheme. As Trustee, the Board has a legal obligation to act solely in the best interests of Scheme beneficiaries. The Board has the following roles:

- Administration of the Scheme and payment to the beneficiaries when required in accordance with the Scheme rules;
- Management and investment of the Scheme assets; and
- Compliance with the Heads of Government Agreement referred to above.

Description of risks

There are a number of risks to which the Scheme exposes Metro. The more significant risks relating to the defined benefits are:

- **Investment risk** – The risk that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall.
- **Salary growth risk** – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions.
- **Inflation risk** – The risk that inflation is higher than anticipated, increasing pension payments and the associated employer contributions.
- **Benefit options risk** – The risk is that a greater proportion of members who joined prior to 1 July 1994 will elect the pension option, which is generally more costly than the alternative lump sum option.
- **Pensioner mortality risk** – The risk is that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.
- **Legislative risk** – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

Description of significant events – Para 139(c)

There were no plan amendments, curtailments or settlements during the year.

NOTES TO THE FINANCIAL STATEMENTS

Note 28. SUPERANNUATION AND DEFINED BENEFIT PLAN (Continued)

Reconciliation of the Net Defined Benefit Liability/(Asset) – Para 140(a)

As at	30 June 2016 \$'000	30 June 2015 \$'000
Defined Benefit Obligation	31,598	27,474
(-) Fair value of plan assets	5,028	5,526
Deficit/(surplus)	26,570	21,948
(+) Adjustment for effect of asset ceiling	-	-
Net defined benefit liability/(asset)	26,570	21,948
Current net liability	1,385	1,108
Non-current net liability	25,185	20,840

Reconciliation of the Fair Value of Scheme Assets – Para 140(a)(i)

Financial year ending	30 June 2016 \$'000	30 June 2015 \$'000
Fair value of plan assets at beginning of the year	5,526	5,137
(+) Interest income	257	205
(+) Actual return on plan assets less Interest income	(315)	443
(+) Employer contributions	1,342	1,167
(+) Contributions by plan participants	159	183
(-) Benefits paid	1,889	1,565
(-) Taxes, premiums & expenses paid	52	44
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Fair value of plan assets at end of the year	5,028	5,526

Reconciliation of the Defined Benefit Obligation – Para 140(a)(ii)

Financial year ending	30 June 2016 \$'000	30 June 2015 \$'000
Present value of defined benefit obligations at beginning of the year	27,474	29,487
(+) Current service cost	385	492
(+) Interest cost	1,282	1,176
(+) Contributions by plan participants	159	183
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
(+) Actuarial (gains)/losses arising from changes in financial assumptions	4,438	(2,401)
(+) Actuarial (gains)/losses arising from liability experience	(199)	146
(-) Benefits paid	1,889	1,565
(-) Taxes, premiums & expenses paid	52	44
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Past service cost	-	-
(+) Gain/loss on settlements	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Present value of defined benefit obligations at end of the year	31,598	27,474

NOTES TO THE FINANCIAL STATEMENTS

Note 28. SUPERANNUATION AND DEFINED BENEFIT PLAN (Continued)

Reconciliation of the Effect of the Asset Ceiling – Para 140(a) (iii)

The asset ceiling has no impact on the net defined benefit liability/(asset).

Fair value of Scheme assets – Para 142

As at	30 June 2016 [^]			
Asset category	Total	Quoted prices in active markets for identical assets - Level 1	Significant observable inputs - Level 2	Unobservable inputs - Level 3
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	873	873	-	-
Equity instruments	3,431	1,562	1,507	363
Debt instruments	674	183	277	214
Derivatives	9	-	9	-
Real Estate	41	-	41	-
Investment funds	-	-	-	-
Asset-backed securities	-	-	-	-
Structured debt	-	-	-	-
Total	5,028	2,618	1,834	577

[^]Estimated based on assets allocated to Metro as at 30 June 2016 and asset allocation of the RBF Scheme as at 30 June 2015.

Fair value of Entities Own Financial Instruments – Para 143

The fair value of Scheme assets includes no amounts relating to:

- any of Metro's own financial instruments
- any property occupied by, or other assets used by Metro.

Assets are not held separately for each reporting entity but are held for the Fund as a whole. The fair value of Scheme assets for each reporting entity was estimated by allocating the total Fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in this report, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, we have used a discount rate of 2.7%, in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

Significant Actuarial Assumptions at the Reporting Date – Para 144

Financial year ending	30 June 2016	30 June 2015
Assumptions to Determine Defined Benefit Cost and Start of Year DBO		
Discount rate (active members)	4.80% pa	4.10% pa
Discount rate (pensioners)	4.80% pa	4.10% pa
Expected rate of increase of compulsory preserved amounts	4.50% pa	4.50% pa
Expected salary increase rate	3.00% pa	3.00% pa
Expected pension increase rate	2.50% pa	2.50% pa

NOTES TO THE FINANCIAL STATEMENTS

Note 28. SUPERANNUATION AND DEFINED BENEFIT PLAN (Continued)

Financial year ending	30 June 2016	30 June 2015
Assumptions to Determine End of Year DBO		
Discount rate (active members)	3.55% pa	4.80% pa
Discount rate (pensioners)	3.55% pa	4.80% pa
Expected salary increase rate	3.00% pa	3.00% pa
Expected rate of increase of compulsory preserved amounts	4.50% pa	4.50% pa
Expected pension increase rate	2.50% pa	2.50% pa

Sensitivity Analysis – Para 145

The defined benefit obligation as at 30 June 2016 under several scenarios is presented below.

Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected pension increase rate sensitivity.

Scenario A: 1% pa lower discount rate assumption

Scenario B: 1% pa higher discount rate assumption

Scenario C: 1% pa lower expected pension increase rate assumption

Scenario D: 1% pa higher expected pension increase rate assumption

	Base Case	Scenario A -1% pa discount rate	Scenario B +1% pa discount rate	Scenario C -1% pa pension increase rate	Scenario D +1% pa pension increase rate
Discount rate	3.55% pa	2.55% pa	4.55% pa	3.55% pa	3.55% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined benefit obligation (A\$'000s)	31,598	36,113	27,959	29,058	34,636

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-Liability matching strategies – Para 146

We are not aware of any asset and liability matching strategies adopted by the Fund.

Funding arrangements – Para 147(a)

The employer contributes a percentage of each lump sum or pension benefit payment. This percentage may be amended by the Minister on the advice of the Actuary.

Expected contributions – Para 147(b)

Financial year ending	30 June 2017 \$'000
Expected employer contributions	1,385

Maturity profile of defined benefit obligation – Para 147(c)

The weighted average duration of the defined benefit obligation for Metro is 12.2 years.

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