



ANNUAL REPORT
2016-17



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Nature of Business

Provision of road passenger transport services

Issued Capital

Two shares of \$1.00 each

Registered Office

212 - 222 Main Road
Moonah, TAS 7009

ABN Number

30 081 467 281

Directors

Michael Harris	Chair
Tim Gardner	Deputy Chair
Nick Burrows	
Jude Munro	(commenced 19 December 2016)
Susan Fahey	(commenced 19 December 2016)

Shareholders

Minister for Infrastructure Rene Hidding
Treasurer Peter Gutwein

Executive Managers

Megan Morse	Acting Chief Executive Officer
Anita Robertson	Chief Financial Officer
Alan Pedley	Chief Operating Officer
Ian Ward	General Manager Infrastructure and Engineering Services
Stacey Hogarth	General Manager People and Safety

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.

We are 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 the Minister for Infrastructure Hon Rene Hidding and Treasurer Hon Peter Gutwein.

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

Our Vision

To be an attractive travel option contributing to an integrated public transport network in Tasmania.

Our Business Purpose

To be a sustainable bus company connecting people and communities.

Our Goals

1. Focus on our customers
2. Operate a financially sustainable business
3. Deliver high quality, reliable services
4. Develop Metro's culture to foster a highly skilled, safety driven and cohesive team
5. Actively engage with our stakeholders
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



Chair's Report

We are excited to progress a once in a generation bus upgrade and modernisation program, made possible by the State Government's commitment to provide funds over four years. This extensive upgrade will deliver 100 new buses, and represents a major area of focus for Metro.

It is important to us that our community trusts us to operate their business in a sustainable and financially responsible way, and we are confident that we have the personnel and resources to manage significant projects over the coming years.

In 2016-17 Metro has continued to concentrate on workforce improvement and maintaining the momentum of earlier customer-focused initiatives. 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.

Financial Result

Metro is committed to operating a fiscally responsible business that meets the needs of the community. In the 2016-17 year Metro recorded a loss of \$3.02 million before tax and \$2.12 million after tax. The loss incurred this year is because Metro no longer receives additional government funding of \$3.25m as revenue in the Statement of Profit or Loss, but rather as an equity contribution in the Statement of Financial Position (refer to note 4 and 26 in the Notes to the Financial Statements).

During the reporting year the Department of State Growth provided \$37.37 million under service contracts to Metro to operate bus services in Hobart, Launceston and Burnie.

Through increased utilisation of our services, ticketing income increased to \$12.12 million equating to approximately 24 per cent of our income. Our major expenses continue to be employee wages and salaries, fuel, maintenance of the fleet, and infrastructure upgrades.

Accelerated Bus Replacement Project

The Tasmanian Government announced in its 2016-17 Budget that it would support Metro to accelerate its accelerated bus replacement program, meaning we will welcome 100 new buses into our fleet.

This project will offer improved customer amenity, and a more reliable, environmentally friendly fleet. Every new bus will also be low-floor, enabling Metro to deliver 100 per cent of general access bus services with wheelchair accessible buses by 2022, as required by the *Disability Discrimination Act*.

Our average fleet age will reduce from 16.3 years to 11.6 years by the end of the four year investment, bringing us in line with other capital city operators and reducing our ongoing maintenance costs.

The buses will feature Euro 6 standard diesel engines: the lowest emitting diesel engines on the market which emit 94 per cent less nitrogen oxide and 96 per cent less particulate matter than the buses they are replacing.

“It is important to us that our community trusts us to operate their business in a sustainable and financially responsible way, and we are confident that we have the personnel and resources to manage significant projects over the coming years.”



The project will result in the creation of over 40 new full-time jobs in Tasmania, including at least 24 jobs at Tasmanian company Elphinstone with additional indirect jobs throughout the local supply chain.

New Urban Fare Zones

We consolidated ticketing reform over the 2016-17 year, introducing a new state-wide urban fare structure during the annual fare review. On 1 January 2017, clear and simple 1 Zone, 2 Zones and All Zones fares replaced section-based Short, Medium and Long fares.

Approximately 96 per cent of Hobart passengers, 99 per cent of Launceston passengers and all Burnie passengers pay either an equivalent or reduced fare as a result of this customer focussed change. The new system is easy to understand and more relevant for Metro's networks, and was implemented smoothly following an extensive education campaign to prepare the community.

Urban Adult fares were previously based on the number of sections a journey involved: Short (1-4 sections), Medium (5-10) or Long (11-15 sections) and now relate to the number of zones: 1 Zone, 2 Zones, or All Zones. Student and Concession customers were unaffected and continue to attract a flat fare.

Chief Executive Officer Resignation

Unfortunately due to continued ill health, our Chief Executive Officer Stuart Wiggins announced his resignation in May 2017. During his term as CEO, Stuart oversaw many key projects, and leaves Metro in a greatly improved state of cultural maturity and financial stability.

Of Stuart's legacies, which include significant safety improvement, his role in procuring support and funding for a plan to deliver 100 new buses will surely endure as a highlight.

I thank Stuart for his role in developing Metro and public transport outcomes in Tasmania over his term, and appreciate the interim leadership of Megan Morse, Acting Chief Executive Officer.

Board Changes

A number of changes to the Board were finalised in December 2016, including my appointment as Chair. Our previous Chair Lynn Mason ended her term as a Director since March 2008 and as Chair since November 2013. Director Geoffrey Hazell also retired from the Board, having served as a Director since 2010. Directors Nick Burrows and Tim Gardner will remain, with Tim taking on the role of Deputy Chair.

The departure of Lynn and Geoffrey necessitated the appointment of two new Directors, Jude Munro and Susan Fahey. Jude Munro spent 10 years as the CEO of Brisbane City Council, and was a Director of the Queensland Translink Transport Authority with responsibility for Greater Brisbane public transport. Susan Fahey is a lawyer with particular experience in family law, and is CEO of the Women's Legal Service in Tasmania.

I thank our retiring Board members Lynn and Geoffrey for their tireless dedication to Metro over the nine and six years respectively that they spent with us, and welcome Jude and Susan to the Board - I have no doubt that their experience and insight across a wide range of areas will continue to significantly benefit Metro.

Michael Harris
Chair



Acting CEO's Report

As a major Tasmanian employer, the Metro family consists of over 450 employees across Hobart, Launceston and Burnie. Due to our drive towards continual improvement and in order to meet operational demand, we welcome six to eight intakes of new Bus Operators each year, as well as maintaining a diverse range of administration, operations, trades and customer service roles.

We recognise that our talented and motivated staff is the key to achieving continued success, and it has been a pleasure to work with a team so focused on the customer experience throughout 2016-17.

The Metro Greencard continues to provide a cost effective and efficient payment method, with close to four out of every five passengers using the digital wallet to save time and money when boarding. In 2016-17, 81 per cent of boardings were made using Greencard, helping us maintain

an efficient on road presence and benefitting customers through a number of fare incentives, including a 20 per cent discount.

Fleet Upgrades

In addition to the significant investment of 100 new buses as part of our accelerated bus replacement project, in 2016-17 we also ordered seven new articulated buses, the first of which was delivered in May 2017.

Five of the seven will replace the remaining ageing Volvo articulated vehicles in our fleet. The other two buses represent growth in our articulated resource pool to provide greater capacity in areas of our network experiencing significant passenger increase.

Community

Connecting communities is key, and serving the Tasmanian public is the reason we operate. Metro supported a diverse range of community organisations throughout 2016-17, including not-for-profit organisations, government initiatives and local events and celebrations. Metro remains committed to ongoing community investment.

Hospital Link

We were proud to launch a new Metro service connecting North West Regional Hospital (Burnie) and Mersey Community Hospital (Latrobe) via Ulverstone and Devonport in September 2016.

Everyone is welcome aboard the new route 85, however passengers that are attending either hospital as a patient or visitor are entitled to a free return trip, making it a cost-effective travel option for the region. On weekdays the route also includes the University of Tasmania Cradle Coast Campus, offering students and staff greatly improved public transport access.

Network Reviews

In the first year of the new Hobart network we implemented in January 2016, passenger journeys increased 1.5 per cent, representing the third consecutive year of increased passenger journeys in Hobart.

We are excited to deliver similar improvements in our Launceston network, however given the unprecedented level of interest in Launceston public transport in 2017,



“Connecting communities is key, and serving the Tasmanian public is the reason we operate.”

we are committed to undertaking this work in line with broader stakeholder timeframes to ensure the best possible outcomes for the city.

Thank you to everyone that engaged with the public or stakeholder consultation on the proposed Launceston Network Review we conducted throughout 2016. We appreciate you taking the time to give us your feedback, however we connected with you. The information we received will help us maximise the number of bus users who will see future improvements to their service.

Free Before 7

In early 2017 we took the proactive step of offering Hobart customers free travel before 7am in a bid to combat the congestion associated with the return to school period.

Encouraging those willing and able to try something different was an important step in reducing the negative impact of congestion on both Metro service reliability and the city centre.

Free travel applied to all customers that boarded a bus scheduled to depart their stop in the Hobart urban area before (and including) 7am on business days.

The early bird promotion aimed to benefit existing and new Metro customers, as well as the wider

road network, by incentivising travel outside of the expected morning congestion period. It also served to inform a broader audience of other ways to avoid contributing to congestion through single car occupancy.

We were extremely pleased to see that during the campaign, which ran from 30 January to 24 February 2017, patronage on the services included in the trial increased by 14 per cent.

CEO Resignation

Stuart's departure from our business was met with much sadness, reflective of his achievements during his time with Metro.

I wish Stuart well and share his confidence that our dedicated team will continue to build on the successes we have achieved and ensure Metro is a bus company all Tasmanians can be proud of.

Megan Morse
Acting Chief Executive Officer



Our performance

Passenger Levels

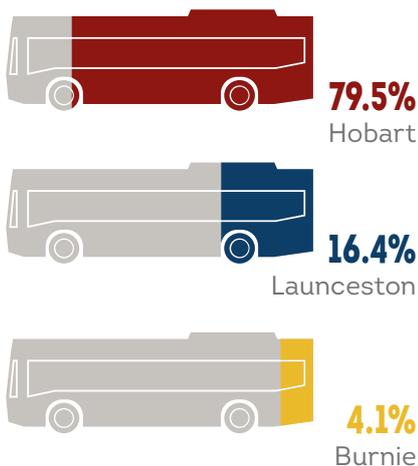
In 2016-17, the number of passenger journeys on Metro services was 8.18 million. After adjusting for the different number of day types (school term, weekends and holidays), there were 0.3 per cent more passenger journeys this year than in 2015-16.

Passenger journeys

8.18 million



Figure 1: Passenger Boardings



“This made 2016 the third consecutive calendar year to record an increase in passenger journeys in Hobart.”

Figure 2: Boardings by Passenger Type

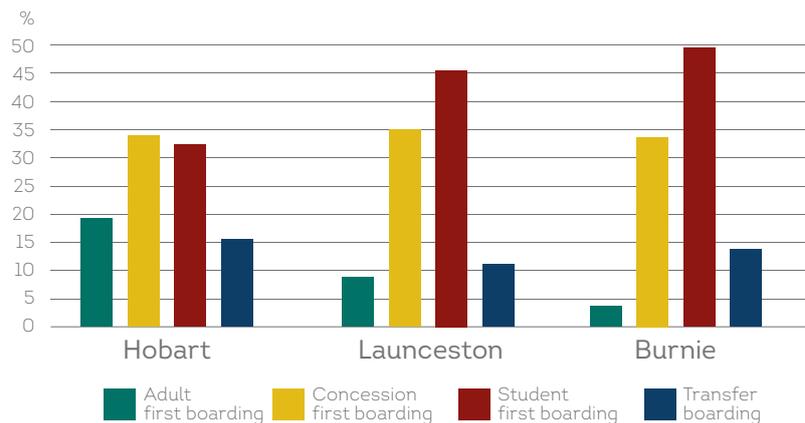
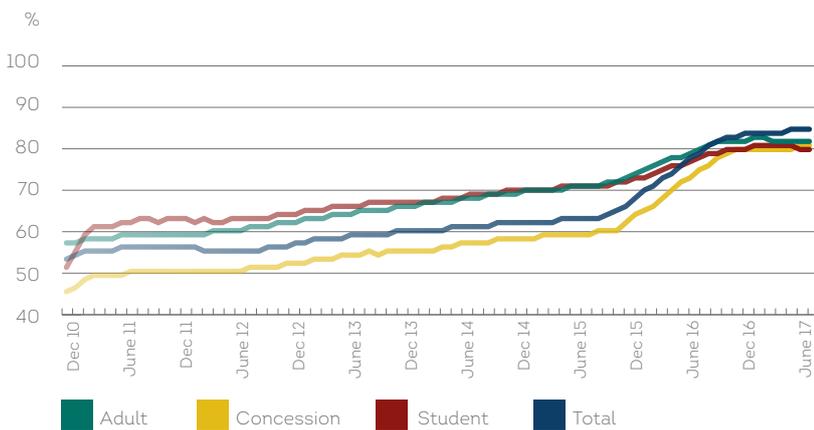


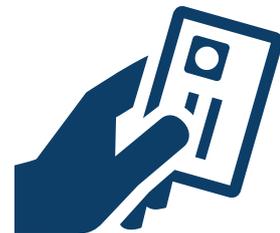


Figure 3: Usage of Greencard since implementation



Boardings made with Greencard in 2016-17

81%



Service Initiatives

Hobart's New Network

In January 2016, Metro introduced a new passenger transport network for Hobart. In the first 12 months of this network, passenger journeys increased by 1.5 per cent compared with the previous 12 months. This made 2016 the third consecutive calendar year to record an increase in passenger journeys in Hobart.

Burnie to Latrobe Service

Metro was successful in tendering for a new bus service connecting Burnie to Latrobe via Ulverstone and Devonport, which commenced in September 2016. The route 85 (Hospital Link) travels between North West Regional Hospital and Mersey Community Hospital making limited stops, with a trip time of approximately 70 minutes.

The service operates 365 days per year, with four return services on weekdays and two return services on weekends and public holidays. On weekdays, the service extends to the University of Tasmania's Cradle Coast campus in Burnie.

Passengers travelling to hospital as a patient or a visitor receive a free return trip. The new Hospital Link service is part of the State Government's \$24 million Patient Transport commitment under the Health White paper.

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 30-minute city loops.

Special Event Services

Metro again provided Nightrider services in Hobart, Launceston and Burnie on New Year's Eve in partnership with the MAIB. The services continue to attract strong usage.

Metro also operated free bus services to and from major sporting events at Blundstone Arena, Bellerive in partnership with Cricket Tasmania during the year. A new operating model was adopted for the 2016-17 Big Bash League season, with buses shuttling between the Hobart Bus Interchange and the ground. A similar model was adopted for AFL matches played at the ground during the 2017 football season.



Our performance

Bus Fleet

The Disability Standards for Accessible Public Transport (DSAPT) require that 55 per cent of services are provided using accessible buses. In 2016-17 Metro provided 64 per cent of services with accessible buses. This figure is calculated with dedicated school services excluded as per the DSAPT.

In 2016-17 Metro ordered seven new low floor articulated buses that will replace five Volvo articulated vehicles which have been in the fleet since 1987. The first of the new Scania articulated buses entered service in May 2017 and the remaining six will be delivered over the following three months.



219
buses in fleet



100%
with CCTV



64%
accessible services

General access services delivered with low floor accessible buses



52%
DDA compliant

Compliant with the Disability Discrimination Act (DDA) requirements for accessible public transport



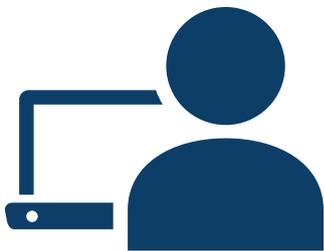
41%
with air conditioning



Website and App

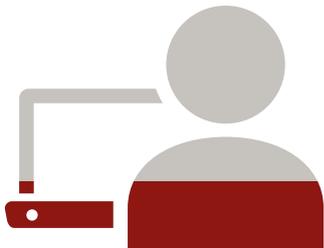
Website

Metro's website, metrotas.com.au, provides customers with a user friendly experience and access to a wide range of information and resources.



1.5 million
Visits

June 2016-June 2017



27.7%
New Users

June 2016-June 2017

App

The free Metro Tasmania app offers users the ability to easily plan trips, manage a Greencard account, and see network updates.



48,669
Total Downloads

As at June 2017



1 million
Journeys Planned

June 2016-June 2017

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:

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

Right to Information

Metro received two Right to Information requests in 2016-17. Both were dealt with as an Assessed Disclosure.



Our workforce

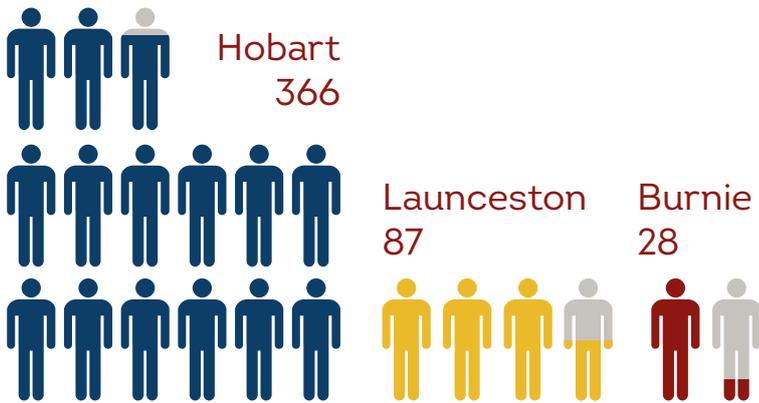


Figure 4: Employees recruited



49 employees recruited in 2016-17

Figure 5: Employment profile

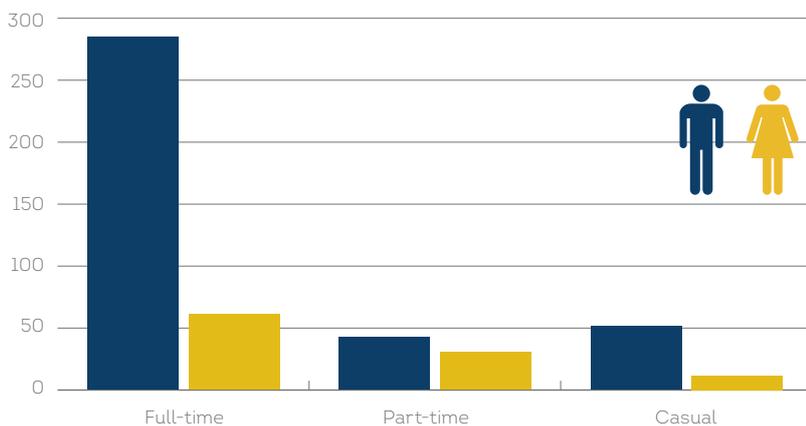


Figure 6: Employee age profile

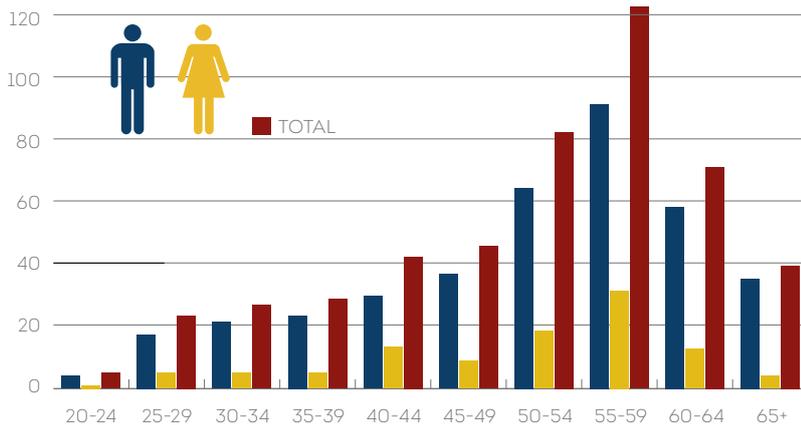
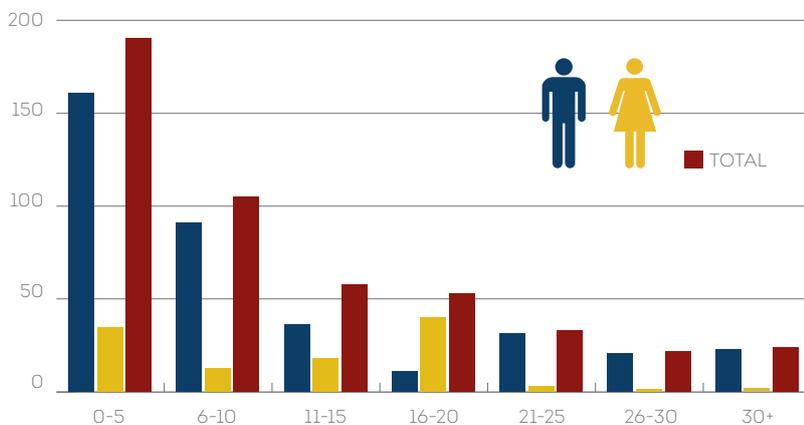


Figure 7: Years of service



Employee Development

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

Metro employees undertook the following VET nationally credited training during 2016-17:

- three Bus Operators completed a Certificate III qualification in Driving Operations
- five relief driver trainers are undertaking Certificate IV qualification in Training and Assessment
- one finance employee is undertaking a Certificate IV qualification in Accounting
- one finance employee is undertaking a Certificate IV qualification in Payroll

- one Customer Services employee is undertaking a Certificate III qualification in Business Administration
- one Infrastructure and Engineering employee is undertaking a Certificate III qualification in Warehousing

Metro delivered the following training and development opportunities in 2016-17:

- two rounds of state-wide Bus Operator refresher training
- licencing and training, including Heavy Vehicle National Law and Fatigue Management training, for 40 new Bus Operators
- route training associated with the Hobart Network Review
- safety training on matters including reversing and defensive driving
- post incident referral training

“Over the last twelve months we have focused on improving and embedding safety systems in order to continue our ongoing safety journey.”

In addition, SRA Corporate Change was engaged to deliver professional development training as part of the Better Metro cultural change project, which included:

- Performance Management
- Building a Positive Workforce

Apprenticeships and Traineeships

Six apprentices are undertaking a Certificate III Heavy Commercial Vehicle Mechanical Technology apprenticeship with Metro.

Safety Performance

Safety continues to be our highest priority and one of our core values. Over the last twelve months we have focused on improving and embedding safety systems in order to continue our ongoing safety journey. We strive to maintain a systematic, comprehensive and consistent approach to managing safety throughout the business, and acknowledge that employee engagement is essential to this maturity. Underpinning this is a sustained focus on improving our safety awareness, capability, ownership and leadership.



Our customers

Average monthly visits to the Metro Shop



Compliments



Substantiated complaints

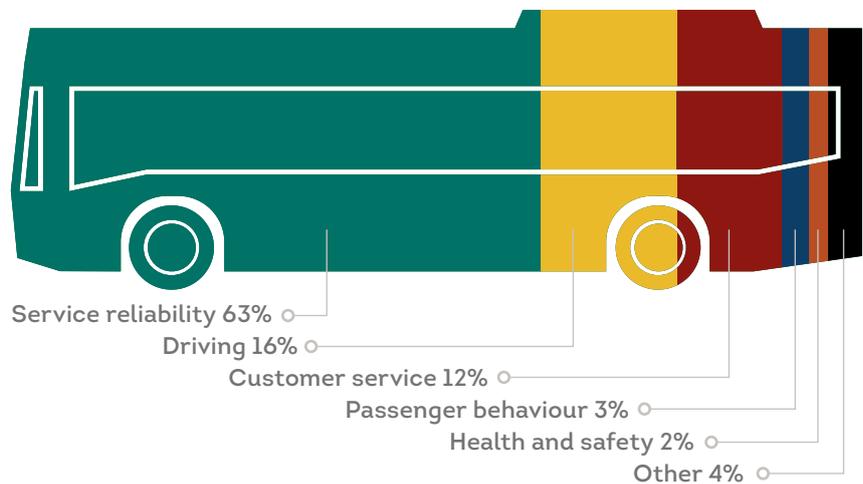


Metro communicates with customers via on-road, electronic, and telephone channels. Face-to-face customer support is available at the Metro Shop located at the Hobart Bus Interchange, and the Launceston and Burnie depots.

Public feedback is an important element of our ongoing planning and is used when considering changes and improvements to our services.

When we have failed to meet customer expectations, we aim to provide a resolution at the first point of contact, or conduct an investigation and provide a response within ten business days if follow up is required.

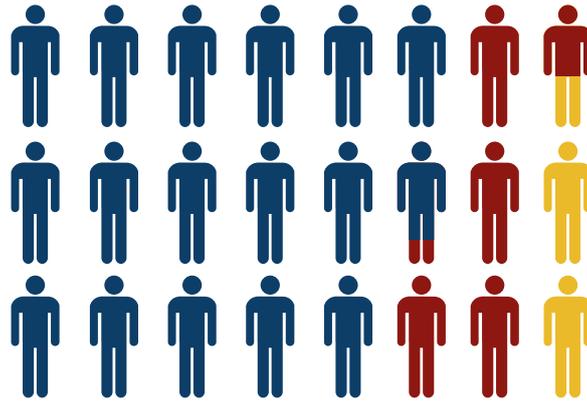
Figure 8: Breakdown of complaints



Customer survey

600
CUSTOMERS
SURVEYED

=



70%
HOBART

20%
LAUNCESTON

10%
BURNIE

FREQUENCY
OF USE

89%
WEEKLY

9%
MONTHLY

3%
QUARTERLY

Overall
satisfaction

78%



Satisfaction with
personal safety

83%



Satisfaction with
Bus Operators

80%



REASONS FOR TRAVEL (respondents were able to give multiple responses)



38%
School



35%
Shopping



27%
Visit friends
or relatives



25%
Work



17%
Health or
welfare



17%
Business



36%
Other

percentages may not sum to 100% due to rounding



Key performance targets

Financial Targets	2016-17 Target	2016-17 Actual
Operating profit/(loss) before tax (\$ '000)	(3,225)	(3,017)
Fares revenue (\$ '000)	12,706	12,125
Total cost per service kilometre (\$)	6.07	5.83
% reduction in corporate overheads	1	2

Non-Financial Targets	2016-17 Target	2016-17 Actual
Network effectiveness		
Patronage ('000 first boardings)	8,583	8,185
Total boardings per service kilometre	0.95	0.88
% of total boardings made with a Greencard	75	81
Operator Efficiency		
% of trips delivered	99	100
% of trips delivered on time	85	85
% of general access services delivered by DDA compliant buses	63	64
% of kilometres that are out-of-service (dead running)	12	18
% of rostered hours that are bus hours (under time hours)	1.15	1.08
Service Quality		
% overall passenger satisfaction (from Customer Satisfaction Survey)	75	78
Number of complaints per 100,000 service kilometres	20	21
Safety		
At fault vehicle accidents per 100,000 kilometres	5.3	5.4
Lost Time Injury Frequency Rate	6.0	9.2



Board of Directors

*L-R Tim Gardner, Michael Harris,
Jude Munro, Nick Burrows, Susan Fahey*

Michael Harris (Chair)

Mr Michael Harris was appointed Director on 20 December 2013 and Chair on 19 December 2016. 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. In the ACT public sector 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 (Deputy Chair)

Mr Tim Gardner was appointed Director on 22 December 2015 and Deputy Chair on 19 December 2016. 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 the Chair of the Engineers Australia (Tasmania) Workforce Development Advisory Group and a graduate of the Australian Institute of Company Directors.

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, Australian Seafood Industries Pty Ltd and TAFE Directors Australia. He is Chairman of TasTafe. He is also a member of the DPIPWE Audit Committee and Tourism Tasmania Audit, Finance and Risk Committee, and chairs Kingborough Council's Audit Panel and Ta Ann Tasmania Pty Ltd Audit and 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.

Jude Munro

Ms Jude Munro was appointed Director on 19 December 2016. She is also a Director of Sun Central Maroochydore Pty Ltd and Newcastle Airport Pty Ltd. She is the Chair of Victoria Pride Centre Pty Ltd and the Victorian Planning Authority. Jude is a former CEO of Brisbane City Council and former Director of Translink Transit Authority in Queensland. She is a Fellow of the Australian Institute of Company Directors and Institute of Public Administration Australia.

Susan Fahey

Ms Susan Fahey was appointed Director on 19 December 2016. She is a Barrister and Solicitor and is also the CEO of Women's Legal Services Tasmania. She is a member of the Tasmanian Government Family Violence Consultative Group, National Association of Community Legal Centres Advisory Committee and Equality Rights Alliance Reproductive Health Committee.



Directors' Report

The Directors of Metro Tasmania Pty Ltd present the annual financial report for the year ended 30 June 2017.

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 2017 the company incurred a loss before income tax of \$3.02 million (2016: profit of \$459,000) and an after tax loss of \$2.12 million (2016: profit of \$320,000). A detailed review of operations is contained in the Chair's Report on page 4 and in the Acting CEO's Report on page 6.

Dividends

The Directors do not recommend payment of a dividend this year. No dividend was paid for the year ended 30 June 2016.

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 2017-18 Budget and Forward Estimates period as an equity contribution to fund the accelerated bus replacement program. This funding, together with the additional \$13 million received in 2015-16 and \$4.5 million received in 2016-17 as equity contributions will be used to fund Metro's bus replacement program over the next three 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 page 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 Chair is appointed annually by the Shareholders.

Directors and Executives' Remuneration

Fees paid to Directors are approved by the Shareholders in accordance 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.

Better Metro Committee

The Better Metro Committee comprised two Directors and was chaired by Director, Mr Michael Harris. This Committee was dissolved in late 2016 when oversight of the Better Metro cultural change project reverted to the full Board.

Board and Committee Meetings

The number of meetings (Board and Committee meetings) attended by each Director during the financial year ended 30 June 2017 are:

Director	Board		Audit & Risk Committee		Remuneration Committee		Better Metro Committee	
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended
Michael Harris	12	12	2	2	2	2	3	3
Nick Burrows	12	11	6	6	-	-	-	-
Tim Gardner	12	11	4	3	5	5	-	-
Jude Munro	5	4	-	-	2	2	-	-
Susan Fahey	5	5	4	4	-	-	-	-
Lynn Mason	7	7	-	-	3	3	3	3
Geoffrey Hazell	7	6	2	2	3	3	-	-

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

Remuneration Committee

The Remuneration Committee comprises three Directors and is chaired by Director, Mr Tim Gardner. 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.

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 *Public Sector Superannuation Reform Act 2016* and the *Public Sector Superannuation Reform Regulations 2017*, which is subject to actuarial valuations and covers current and former employees.

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.

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	47.30
Value of purchases from Tasmanian businesses	\$11,225,599

Consultancies valued at more than \$50,000 (ex GST)				
Name of consultant	Location	Description	Period of engagement	Amount
No consultants were engaged during 2016-17 valued at more than \$50,000				
Total				\$0
There were 8 consultants engaged for \$50,000 or less totalling				\$124,371
Total Payments to Consultants				\$124,371

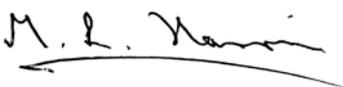
Payment of Accounts

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	26
Number of accounts due for payment	8,197
Number of accounts paid on time	7,933
Amounts due for payment	\$24,875,943
Amounts paid on time	\$24,104,172
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	\$0

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



Michael Harris
Chair

3 August 2017

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

3 August 2017

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 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Ric De Santi
**Deputy Auditor-General
Delegate of the Auditor-General**

...1 of 1

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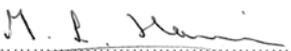
Directors' Declaration

METRO TASMANIA PTY LTD

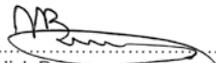
DIRECTORS' DECLARATION

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 2017 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 Acting Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2017.
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:


.....
Michael Harris

Chair


.....
Nick Burrows

Director

3 August 2017

Independent Audit Report page 1



Independent Auditor's Report

To the Members of Metro Tasmania Pty Ltd

Report on the Audit of the Consolidated Financial Report

Opinion

I have audited the financial report of the Metro Tasmania Pty Ltd (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statements of profit and loss, other comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

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

Basis for Opinion

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

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

I confirm that the independence declaration required by the *Corporations Act 2001*, was provided to the directors on the same date as this auditor's report and is included in the Directors' Report.

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

...1 of 4

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Independent Audit Report page 2

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<p>Buses, land and buildings <i>Refer to note 12</i></p> <p>The Company's bus fleet, \$24.26m, land, \$7.54m, and buildings, \$6.01m, are independently revalued every three years.</p> <p>In determining the value of bus, land and buildings, the Company exercised significant judgement and the valuation was highly dependent on a range of assumptions and estimates. For these reasons, the valuation of buses, land and buildings was an area requiring particular audit attention.</p> <p>Calculation of depreciation of buses and buildings includes estimation of useful lives and residual values also involved a high degree of subjectivity. Changes in assumptions underlying depreciation calculations significantly impact the depreciation charged.</p>	<ul style="list-style-type: none"> • Evaluating indexation analysis for land and buildings between formal valuations. • Testing additions and disposals throughout the year. • Testing the classification of capital and maintenance costs. • Assessing depreciation expenses for each class of asset. • Challenging management's assessment of useful lives of buildings and buses. • Evaluating management's assessment of impairment. • Assessing the adequacy of relevant disclosures in the financial report.
<p>Defined benefit obligation <i>Refer to notes 15 and 28</i></p> <p>The Company had employees who were members of a defined benefit superannuation scheme. The Company's obligation under this scheme (less fair value of plan assets) was recognised in the statement of financial position and was valued at \$23.03m at 30 June 2017.</p> <p>The value of the superannuation liability is significant and its estimation involves complex judgements about future events.</p>	<ul style="list-style-type: none"> • Assessing the competence of the State Actuary that performed the valuation. • Evaluating information provided to the actuary. • Engaging an independent expert to assist me to evaluate the reasonableness of the assumptions used by the State Actuary in determining the liability. • Assessing the adequacy of relevant disclosures in the financial report.

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Independent Audit Report page 3

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

...3 of 4

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Independent Audit Report page 4

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

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

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

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



Ric De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Tasmanian Audit Office

3 August 2017
Hobart

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Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	25,163	22,664
Trade and other receivables	8	413	432
Inventories	9	1,970	1,867
Assets held for sale	10	108	63
Other current assets	11	809	674
TOTAL CURRENT ASSETS		28,463	25,700
NON-CURRENT ASSETS			
Property, plant and equipment	12	44,689	44,505
Intangible assets	13	239	336
Deferred tax assets	6(d)	9,205	9,818
TOTAL NON-CURRENT ASSETS		54,133	54,659
TOTAL ASSETS		82,596	80,359
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	5,397	4,880
Employee benefits	15	5,237	5,054
TOTAL CURRENT LIABILITIES		10,634	9,934
NON-CURRENT LIABILITIES			
Employee benefits	15	23,169	26,222
Deferred tax liabilities	6(d)	2,534	2,932
TOTAL NON-CURRENT LIABILITIES		25,703	29,154
TOTAL LIABILITIES		36,337	39,088
NET ASSETS		46,259	41,271
EQUITY			
Contributed equity	16	33,003	28,503
Asset revaluation reserves	17	12,751	12,923
Retained profits / (losses)	18	505	(155)
TOTAL EQUITY		46,259	41,271

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 2017

	Note	2017 \$'000	2016 \$'000
REVENUE			
Passenger transport operations	4(a)	49,918	48,477
Other income	4(b)	783	1,228
Financial income	4(c)	531	180
Additional Government funding income	4(d)	-	3,250
		51,232	53,135
EXPENSES			
Passenger transport operations	5(a)	(39,365)	(38,076)
Engineering and maintenance services	5(b)	(7,566)	(7,164)
Administration and general	5(c)	(6,400)	(6,411)
Finance costs	5(d)	(918)	(1,025)
		(54,249)	(52,676)
Profit/(loss) before income tax		(3,017)	459
Income tax(expense)/benefit	6(a)	901	(139)
Profit/(loss) for the year		(2,116)	320

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 2017

	Note	2017 \$'000	2016 \$'000
Profit/(loss) for the year		(2,116)	320
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net asset revaluation increment/(decrement)	12(b)	(129)	1,055
Actuarial gain/(loss) on defined benefit plan	28	3,849	(4,555)
Income tax on other comprehensive income	6(c)	(1,116)	1,050
Total other comprehensive income for the year, net of income tax		2,604	(2,450)
Total comprehensive income for the year		488	(2,130)

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 2017

	Contributed equity	Asset revaluation reserves	Retained profits/(losses)	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	28,503	12,923	(155)	41,271
Profit/(loss)	-	-	(2,116)	(2,116)
Other comprehensive income:				
Net asset revaluation increment/(decrement)	-	(129)	-	(129)
Actuarial gain/(loss) on defined benefits plans	-	-	3,849	3,849
Income tax relating to components of other comprehensive income	-	39	(1,155)	(1,116)
Total comprehensive income for the year	-	(90)	578	488
Transfers between reserves		(82)	82	-
Equity contribution	4,500	-	-	4,500
Balance as at 30 June 2017	33,003	12,751	505	46,259

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

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 2017

	Note	2017 \$'000	2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales, service contracts and additional Government funding		52,196	54,466
Interest received	4(c)	531	180
Cash paid to suppliers and employees		(50,167)	(49,403)
Net cash from operating activities	22(a)	2,560	5,243
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		114	156
Acquisition of property, plant and equipment		(4,675)	(4,978)
Net cash used in investing activities		(4,561)	(4,822)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity contribution		4,500	13,000
Net cash from financing activities		4,500	13,000
Net increase/(decrease) in cash and cash equivalents		2,499	13,421
Cash and cash equivalents at the beginning of the financial year		22,664	9,243
Cash and cash equivalents at the end of the financial year	22(b), 7	25,163	22,664

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 2017 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 3 August 2017.

(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 12;

Notes to the Financial Statements

- Depreciation and Amortisation (Property, Plant and Equipment) – Notes 3 (j) and 12; and
- Provisions- Notes 3(o) and 15.

(e) **Changes in Accounting Policies and Estimates**

Impact of new and revised Accounting Standards

There are no new or revised Standards and Interpretations that have been issued by the AASB.

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 no 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 16 Leases* (effective from 1 January 2019)

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

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 2016-2 AASB 107 Statement of Cash Flows* (effective from 1 January 2017)

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.

Notes to the Financial Statements

(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.

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.

Notes to the Financial Statements

(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:

(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.

Notes to the Financial Statements

(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.

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.

Notes to the Financial Statements

(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 Consolidated 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.

Metro's current service contract with Department of State Growth (DSG) expires 31 December 2018. It is probable that future tax profits will be achieved in the medium to long term once sustainable service contracts are negotiated as part of the contract renewal process currently underway with DSG. Therefore, it is considered appropriate to continue to recognise deferred income tax assets.

(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

	2017 \$'000	2016 \$'000
Note 4. REVENUE		
(a) Passenger transport operations		
Service contracts	37,793	36,778
Ticket fares	12,125	11,699
	49,918	48,477
(b) Other income		
Profit on disposal of property, plant and equipment	57	34
Advertising income	545	545
Rental income	8	14
Fuel tax credit refund	-	393
Other income	173	242
	783	1,228
(c) Financial income		
Interest income	531	180
	531	180
(d) Additional Government funding		
Additional Government funding (Note 26)	-	3,250
	-	3,250
Total income	51,232	53,135

	2017 \$'000	2016 \$'000
Note 5. EXPENSES		
(a) Passenger transport operations		
Fuel	4,261	4,202
Employee and related expenses	28,060	27,044
Depreciation and amortisation expenses	3,592	3,494
Other expenses	3,452	3,336
	39,365	38,076
(b) Engineering and maintenance services		
Maintenance expense	4,510	4,315
Employee and related expenses	2,751	2,574
Depreciation and amortisation expenses	305	275
	7,566	7,164
(c) Administration and general		
Employee and related expenses	3,522	3,144
Depreciation and amortisation expenses	424	439
Other expenses	2,454	2,828
	6,400	6,411
(d) Finance costs		
Actuarial interest costs	918	1,025
	918	1,025
Total expenses	54,249	52,676

Notes to the Financial Statements

	2017 \$'000	2016 \$'000
Note 6. INCOME TAX		
(a) Income tax expense recognised in the Statement of Profit or Loss		
Current tax expense		
Current tax	(259)	593
Deferred tax expense		
Decrease/(increase) in deferred tax asset	872	(1,433)
Increase/(decrease) in deferred tax liability	(398)	(71)
Less recognised directly in equity	(1,116)	1,050
Income tax expense/(benefit)	(901)	139
(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% (2016: 30%)	(905)	138
Add tax effect of:		
Entertainment (non-deductible)	4	1
	(901)	139
(c) Income tax expense recognised directly to equity		
Property, plant and equipment (Note 17)	39	(316)
Superannuation (Note 18)	(1,155)	1,366
	(1,116)	1,050
(d) Non-current and deferred tax balances		
Assets:		
Deferred tax assets	9,205	9,818
	9,205	9,818
Liabilities:		
Deferred tax liability	2,534	2,932
	2,534	2,932
	6,671	6,886

Notes to the Financial Statements

Note 6. INCOME TAX (continued)

2017	Opening balance 1 July 2016	Prior year adjustment	Recognised in the Statement of Other Comprehensive Income	Recognised in equity	Balance at 30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Superannuation	7,971	-	92	(1,155)	6,908
Tax losses	-	-	259	-	259
Employee benefits	1,509	-	157	-	1,666
Accrued costs	307	-	37	-	344
Other provisions	32	-	(4)	-	28
Prepayments	(67)	-	(2)	-	(69)
Inventories	(58)	-	12	-	(46)
Property, plant and equipment	(2,803)	-	360	39	(2,404)
Accrued income	(5)	-	(10)	-	(15)
Total	6,886	-	901	(1,116)	6,671

2016	Opening balance 1 July 2015	Prior year adjustment	Recognised in the 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
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

Notes to the Financial Statements

	2017	2016
	\$'000	\$'000
Note 7. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	2,622	5,066
Call deposit at Tascorp	4,681	4,598
Term deposits	17,860	13,000
	25,163	22,664

	2017	2016
	\$'000	\$'000
Note 8. TRADE AND OTHER RECEIVABLES		
Trade receivables	177	257
Other receivables	236	175
	413	432

	2017	2016
	\$'000	\$'000
Note 9. INVENTORIES		
Inventories	2,062	1,974
Less provision for obsolescence	(92)	(107)
	1,970	1,867

	2017	2016
	\$'000	\$'000
Note 10. ASSETS HELD FOR SALE		
Property, plant and equipment	108	63
	108	63

Assets held for sale relates to 16 buses (2016: 7 buses) and are expected to be settled within 12 months. The level 2 fair value of the buses as at 30 June 2017 is \$108,000 (2016: \$63,000).

	2017	2016
	\$'000	\$'000
Note 11. OTHER CURRENT ASSETS		
Prepayments	809	674
	809	674

Notes to the Financial Statements

Note 12. PROPERTY, PLANT AND EQUIPMENT	2017 \$'000	2016 \$'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	6,328
Less: accumulated depreciation	(314)	(158)
Total	6,014	6,170
Total land and buildings	13,549	13,705
Buses		
At fair value	27,225	26,823
Less: accumulated depreciation	(2,969)	-
Total	24,256	26,823
Route infrastructure		
At cost	3,525	3,387
Less: accumulated depreciation	(2,391)	(2,219)
Total	1,134	1,168
Office equipment		
At cost	1,717	1,615
Less: accumulated depreciation	(1,355)	(1,334)
Total	362	281
Electronic ticketing & communication equipment		
At cost	5,092	5,061
Less: accumulated depreciation	(3,817)	(3,309)
Total	1,275	1,752

Notes to the Financial Statements

Note 12. PROPERTY, PLANT AND EQUIPMENT (continued)	2017 \$'000	2016 \$'000
CCTV Equipment		
At cost	1,376	1,293
Less: accumulated depreciation	(1,267)	(1,243)
Total	109	50
Plant and equipment		
At cost	1,538	1,284
Less: accumulated depreciation	(831)	(818)
Total	707	466
Auxiliary vehicles		
At cost	425	429
Less: accumulated depreciation	(170)	(169)
Total	255	260
Work in progress		
At cost	3,042	-
Total	3,042	-
Total property, plant and equipment	44,689	44,505

Notes to the Financial Statements

Note 12. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Reconciliation of movements in carrying amounts

2017	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	13,705	26,823	1,168	281	1,752	50	466	260	-	44,505
Additions	-	722	138	213	31	82	328	152	3,042	4,708
Disposals	-	(14)	-	-	-	-	-	(49)	-	(63)
Revaluation increments/(decrements)	-	(129)	-	-	-	-	-	-	-	(129)
Impairment losses	-	(34)	-	-	-	-	-	-	-	(34)
Net transfers	-	(108)	-	-	-	-	-	-	-	(108)
Depreciation	(156)	(3,004)	(172)	(132)	(508)	(23)	(87)	(108)	-	(4,190)
Carrying amount at 30 June	13,549	24,256	1,134	362	1,275	109	707	255	3,042	44,689
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)	-
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

Notes to the Financial Statements

Note 12. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Metro's buses and land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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. The depreciation profile is based on a diminishing value method incorporating a 30 year life with a 2% residual value.

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 purchasers 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 2017 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair Value as at 30 June 2017 \$'000
Buses		24,256		24,256
Land and buildings		13,549		13,549

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:

	2017 \$'000	2016 \$'000
Buses	17,340	18,760
Land and buildings	7,708	7,825

Notes to the Financial Statements

	2017 \$'000	2016 \$'000
Note 13. INTANGIBLE ASSETS		
(a) Carrying amounts		
Computer software		
At cost	1 263	1 262
Less: accumulated amortisation	(1,024)	(926)
Total	239	336
Total intangibles	239	336
(b) Reconciliation of movements in carrying amounts		
Carrying amount at 1 July	336	410
Additions- other development	35	117
Disposals	-	(27)
Amortisation	(132)	(164)
Carrying amount at 30 June	239	336
Note 14. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	4,971	4,464
Employee benefits oncosts	426	416
	5,397	4,880
Note 15. EMPLOYEE BENEFITS		
Current:		
Retirement benefits	1,062	1,385
Compensated benefits:		
Accrued salaries and wages	800	450
Annual leave	1,376	1,356
Long service leave	1,999	1,863
	5,237	5,054
Non-current:		
Retirement benefits	21,965	25,185
Compensated benefits:		
Long service leave	1,204	1,037
	23,169	26,222
	28,406	31,276
Note 16. CONTRIBUTED EQUITY		
Balance at beginning of financial year	28,503	15,503
Equity contribution	4,500	13,000
Balance at end of financial year	33,003	28,503

Notes to the Financial Statements

Note 17. ASSET REVALUATION RESERVES

2017	Land and buildings \$'000	Buses \$'000	Total \$'000
Balance at beginning of financial year	3,973	8,950	12,923
Revaluation increments/(decrements)	-	(129)	(129)
Disposal of revalued buses	-	(82)	(82)
Deferred tax asset/(liability)	-	39	39
Balance at end of financial year	3,973	8,778	12,751

2016	Land and buildings \$'000	Buses \$'000	Total \$'000
Balance at beginning of financial year	3,973	8,279	12,252
Revaluation increments/(decrements)	-	1,105	1,105
Disposal of revalued buses	-	(118)	(118)
Deferred tax asset/(liability)	-	(316)	(316)
Balance at end of financial year	3,973	8,950	12,923

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

	2017 \$'000	2016 \$'000
Balance at beginning of financial year	(155)	2,647
Net profit/(loss)	(2,116)	320
Revaluation increments (decrements) attributable to assets disposed of during the year	82	66
Defined benefit plan actuarial gains/(losses)	3,849	(4,554)
Related income tax	(1,155)	1,366
Balance at end of financial year	505	(155)

Note 19. COMMITMENTS FOR EXPENDITURE

	2017 \$'000	2016 \$'000
Capital commitments:		
Payments within 1 year	8,557	4,893
Payments 1-5 years	39,222	-
	47,779	4,893
Operating lease commitments:		
Payments within 1 year	188	153
Payments 1-5 years	366	133
	554	286
Other commitments:		
Payments within 1 year	3,131	2,101
Payments 1-5 years	1,711	2,078
	4,842	4,179

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:

	2017 \$	2016 \$
Short-term employee benefits	1,288,166	1,225,195
Post-employment benefits	114,093	104,067
Termination Benefits	268,000	16,331
	1,670,259	1,345,593

(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:

	2017				
	Directors' Fees	Committee Fees	Superannuation ¹	Other ²	Total 2017
	\$	\$	\$	\$	\$
Non-Executive Directors					
Mr Michael Harris - Chair	40,279	-	3,826	2,659	46,764
Mr Tim Gardner - Deputy Chair	25,983	-	2,468	429	28,880
Ms Lynn Mason - Chair (ceased 19 December 2016)	25,539	-	2,426	2,785	30,750
Ms Susan Fahey (commenced 19 December 2016)	13,614	-	1,293	-	14,907
Ms Jude Munro (commenced 19 December 2016)	13,614	-	1,293	-	14,907
Mr Nick Burrows	25,983	-	2,468	764	29,215
Mr Geoffrey Hazell - Deputy Chair (ceased 19 December 2016)	12,457	-	1,184	323	13,964
Total	157,469	-	14,958	6,960	179,387

	2016				
	Directors' Fees	Committee Fees	Superannuation ¹	Other ²	Total 2016
	\$	\$	\$	\$	\$
Non-Executive Directors					
Ms Lynn Mason (Chair)	52,699	-	5,006	13,575	71,280
Mr Geoffrey Hazell (Deputy Chair)	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

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:

	2017							Total 2017
	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 (ceased 10 May 2017)	138,815	-	268,000	13,187	23,546	-	(28,773)	414,775
Mrs Anita Robertson, Chief Financial Officer	156,821	23,058	-	17,088	22,045	-	1,371	220,383
Mr Alan Pedley, Chief Operating Officer	169,792	21,275	-	18,151	14,068	-	1,486	224,772
Mr Ian Ward, General Manager Infrastructure and Engineering	141,430	18,777	-	15,219	-	-	5,752	181,178
Ms Megan Morse*, General Manager Business Improvement Services	204,931	25,554	-	21,896	-	-	18,065	270,446
Mrs Stacey Hogarth, General Manager of People and Safety (commenced 27 June 2016)	137,283	5,807	-	13,594	10,929	-	11,705	179,318
Total	949,072	94,471	268,000	99,135	70,588	-	9,606	1,490,872

*Acting Chief Executive Officer (20 December 2016 to 30 June 2017)

Notes to the Financial Statements

Note 20. RELATED PARTIES (Continued)

(b) Executive Remuneration (Continued)

	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 (ceased 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 (ceased 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)

- 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 (STI relates to financial years ending 2017 and 2016).
- 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 S. Wiggins resigned effective 10 May 2017 and was paid \$268,000 on termination.

Related Party Transactions

There were no related party transactions with Key Management Personnel (KMP) (including Directors, Executives and Cabinet Ministers) or their Close Family Members (CFM) or entities that are controlled or jointly controlled by KMP or their CFM, during either financial years.

Note 21. REMUNERATION OF AUDITORS	2017	2016
	\$'000	\$'000
External audit services	53	52
Internal audit services	53	57
	106	109

The Company paid \$53,410 to the Tasmanian Audit Office for the audit of the consolidated financial statements.

Notes to the Financial Statements

	2017 \$'000	2016 \$'000
Note 22. CASH FLOW STATEMENT		
(a) Reconciliation of cash flow with profit after income tax		
Profit/(loss) after income tax	(2,116)	320
Add (less) non cash items:		
Depreciation	4,190	4,044
Amortisation	132	164
Income tax expense	(901)	139
Impairment of buses	34	21
Loss/(profit) on sale of non-current assets	(57)	(34)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	19	44
(Increase)/decrease in inventories	(102)	49
(Increase)/decrease in other current assets	(135)	1,103
Increase/(decrease) in trade and other payables	517	160
Increase/(decrease) in provisions	979	(767)
Net cash inflow from operating activities	2,560	5,243
(b) Reconciliation of cash		
Cash at bank and on hand	2,622	5,066
Call deposit at Tascorp	4,681	4,598
Term deposits	17,860	13,000
Cash as per Consolidated Statement of Cash Flows	25,163	22,664
(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.

Analysis of financial assets that are past due but not impaired:

	0 days past due		1-30 days past due		31-90 days past due		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:								
Receivables	398	245	7	101	8	86	413	432

Notes to the Financial Statements

Note 23. FINANCIAL INSTRUMENTS (continued)

(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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:										
Cash at bank	1.10	1.35	2,622	5,066	-	-	-	-	2,622	5,066
Call deposit at Tascorp	1.82	2.24	4,681	4,598	-	-	-	-	4,681	4,598
Term deposit at CBA	2.50	2.78	-	-	12,000	13,000	-	-	12,000	13,000
Term deposit at CBA	2.39	-	-	-	1,360	-	-	-	1,360	-
Term deposit at WBC	2.62	-	-	-	4,500	-	-	-	4,500	-
Receivables	-	-	-	-	-	-	413	432	413	432
			7,303	9,664	17,860	13,000	413	432	25,576	23,096

	Weighted average effective interest rate		Floating interest rate		Fixed Interest Rate Maturing				Non-interest Bearing		Total	
	2017	2016	2017	2016	Within 1 Year		1 to 5 Years		2017	2016	2017	2016
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities:												
Trade creditors and accruals	-	-	-	-	-	-	-	-	4,971	4,464	4,971	4,464
	-	-	-	-	-	-	-	-	4,971	4,464	4,971	4,464

Trade creditors and accruals are expected to be paid as follows:

	2017 \$'000	2016 \$'000
Less than 6 months	4,971	4,464
6 months to 1 year	-	-
1 - 5 years	-	-
	4,971	4,464

Notes to the Financial Statements

Note 23. FINANCIAL INSTRUMENTS (continued)

(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 2017, 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:

	2017 \$'000	2016 \$'000
Change in profit or loss		
- Increase in interest rate by 2%	527	188
- Decrease in interest rate by 2%	(527)	(188)
Change in equity		
- Increase in interest rate by 2%	527	188
- Decrease in interest rate by 2%	(527)	(188)

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.

(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

	2017 \$'000			2016 \$'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	25,163	-	25,163	22,664	-	22,664
Receivables	413	-	413	432	-	432
	25,576	-	25,576	23,096	-	23,096
Financial liabilities:						
Trade creditors and accruals	-	4,970	4,970	-	4,464	4,464

(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.

Notes to the Financial Statements

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 \$4.5 million as an equity contribution (2016 \$13 million) to be used to fund Metro's bus replacement program over the next 3-4 years.

Metro will receive funding of \$4.5 million per annum over the 2017-18 Budget and Forward Estimates period as an equity contribution to implement a Metro Bus Infrastructure capital initiative.

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

Note 27. CONTROLLED ENTITY

	Country of incorporation	Equity interest	
		2017	2016
Parent entity:			
Metro Tasmania Pty Ltd	Australia	-	-
Controlled entity:			
Metro Coaches (Tas) Pty Ltd	Australia	100%	100%

Note 28. SUPERANNUATION AND DEFINED BENEFITS 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 2017 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

Members of the Contributory Scheme receive lump sum benefits on resignation and lump sum or pension benefits on retirement, death or invalidity. The Contributory Scheme is closed to new members.

Description of the regulatory framework

The Scheme operates under the Public Sector Superannuation Reform Act 2016 and the Public Sector Superannuation Reform Regulations 2017.

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 Tasmanian Government and RBF elect) up to the amount of "untaxed" benefits paid to members in the year.

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

Prior to 1 April 2017 the RBF Board was responsible for the governance of the Scheme. From 1 April 2017 the Superannuation Commission (the Commission) has fiduciary responsibility for, and oversees the administration of, the Scheme. The day to day running of the Scheme is managed by the Office of the Superannuation Commission, within the Department of Treasury and Finance.

Notes to the Financial Statements

Note 28. SUPERANNUATION AND DEFINED BENEFITS PLAN (continued)

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 over the long term.
- **Inflation risk** – The risk that inflation is higher than anticipated, increasing pension payments and the associated employer contributions over the long term.
- **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)

During 2016 the Tasmanian Government passed the Public Sector Superannuation Reform Act 2016, which reforms the administration arrangements for the provision of public sector superannuation in Tasmania. Whilst this legislation changed the entities responsible for the governance of the Scheme it did not affect the contributions payable to or the benefits payable by the Scheme.

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

As at	30 June 2017 \$'000	30 June 2016 \$'000
Defined Benefit Obligation	28,626	31,598
(-) Fair value of plan assets	5,599	5,028
Deficit/(surplus)	23,027	26,570
(+) Adjustment for effect of asset ceiling	-	-
Net defined benefit liability/(asset)	23,027	26,570
Current net liability	1,062	1,385
Non-current net liability	21,965	25,185

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

Financial year ending	30 June 2017 \$'000	30 June 2016 \$'000
Fair value of plan assets at beginning of the year	5,028	5,526
(+) Interest income	172	257
(+) Actual return on plan assets less Interest income	631	(315)
(+) Employer contributions	1,012	1,342
(+) Contributions by plan participants	137	159
(-) Benefits paid	1,334	1,889
(-) Taxes, premiums & expenses paid	47	52
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Fair value of plan assets at end of the year	5,599	5,028

Notes to the Financial Statements

Note 28. SUPERANNUATION AND DEFINED BENEFITS PLAN (continued)

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

Financial year ending	30 June 2017 \$'000	30 June 2016 \$'000
Present value of defined benefit obligations at beginning of the year	31,598	27,474
(+) Current service cost	400	385
(+) Interest cost	1,090	1,282
(+) Contributions by plan participants	137	159
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	(343)	-
(+) Actuarial (gains)/losses arising from changes in financial assumptions	(2,824)	4,438
(+) Actuarial (gains)/losses arising from liability experience	(51)	(199)
(-) Benefits paid	1,334	1,889
(-) Taxes, premiums & expenses paid	47	52
(+) 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	28,626	31,598

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 2017 [^] Asset category	Total \$'000
International equities	1,112
Diversified fixed interest	286
Property	777
Alternative investments	1,555
Cash and cash equivalents	915
Australian equities	954
Total	5,599

[^]Estimated based on assets allocated to Metro as at 30 June 2017 and asset allocation of the Contributory Scheme as at 31 March 2017.

Notes to the Financial Statements

Note 28. SUPERANNUATION AND DEFINED BENEFITS PLAN (continued)

The following table shows the percentage of each class of asset that have a quoted market price in an active market for RBF as a whole as at 30 June 2016.

As at Asset category	30 June 2016			
	Total	Quoted prices in active markets for identical assets - Level 1	Significant observable inputs - Level 2	Unobservable inputs - Level 3
Cash and cash equivalents	100.0%	45.3%	54.7%	0.0%
Equity instruments	100.0%	7.0%	85.0%	8.0%
Debt instruments	100.0%	0.0%	100.0%	0.0%
Derivatives	100.0%	0.1%	99.9%	0.0%
Total	100.0%	34.1%	63.7%	2.2%

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 the Government Bond yield of 3.30%, 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 2017	30 June 2016
Assumptions to Determine Defined Benefit Cost and Start of Year DBO		
Discount rate (active members)	3.55% pa	4.80% pa
Discount rate (pensioners)	3.55% pa	4.80% 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

Financial year ending	30 June 2017	30 June 2016
Assumptions to Determine End of Year DBO		
Discount rate (active members)	4.35% pa	3.55% pa
Discount rate (pensioners)	4.35% pa	3.55% pa
Expected salary increase rate	3.00% pa	3.00% pa
Expected rate of increase of compulsory preserved amounts	3.00% pa	4.50% pa
Expected pension increase rate	2.50% pa	2.50% pa

Notes to the Financial Statements

Note 28. SUPERANNUATION AND DEFINED BENEFITS PLAN (continued)

Sensitivity Analysis - Para 145

The defined benefit obligation as at 30 June 2017 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.

	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	4.35% pa	3.35% pa	5.35% pa	4.35% pa	4.35% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined benefit obligation (\$'000s)	28,626	32,230	25,664	26,395	31,250

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 2018 \$'000
Expected employer contributions	1,062

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

The weighted average duration of the defined benefit obligation for Metro is 11.9 years.

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