



Metro

ANNUAL REPORT
2018-19

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Nature of Business

Provision of passenger transport services

Issued Capital

Two shares of \$1.00 each

Registered Office

212 – 220 Main Road
Moonah, TAS 7009

ABN Number

30 081 467 281

Directors

Michael Harris	(Chair until 30 January 2019)
Tim Gardner	(Deputy Chair until 30 January 2019, Chair from 16 April 2019)
Nick Burrows	
Jude Munro	
Susan Fahey	
Yvonne Rundle	(from 5 December 2018)

Shareholders

Minister for Infrastructure – Jeremy Rockliff (until 2 July 2019)

Minister for Infrastructure and Transport – Michael Ferguson
(from 2 July 2019)

Treasurer – Peter Gutwein

Executive Managers

Megan Morse	Chief Executive Officer
Anita Robertson	Chief Financial Officer
Ian Ward	General Manager Operations (until 12 July 2019)
Darren Carey	General Manager Operations (from 3 June 2019)
Stacey Hogarth	General Manager People and Safety (until 23 November 2018)
Paul Passmore	General Manager People and Safety (from 25 March 2019)
Chris Breen	General Manager Business Improvement Services (from 5 November 2018)

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 and Tasmania's largest passenger transport service provider, established in February 1998.

Using a fleet of 219 buses, we deliver services in and around Hobart, Launceston, and Burnie under contracts with the Secretary of the Department of State Growth.

Operating under corporations law, an independent Board of six Directors provide Metro strategic direction and governance.

Our shareholder ministers, representing the people of Tasmania, are Minister for Infrastructure and Transport Hon Michael Ferguson and Treasurer Hon Peter Gutwein.

Our corporate plan 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

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

Our Values

Safety

We take pride in everyone getting home safely, by:

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

Respect

We show respect for everyone at all times:

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

Resilience

We have the courage to do the tough stuff, 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.



Tim Gardner
Chair

In the four years since joining the Metro Board I've developed a great passion for the company – a company that delivers a vital service to locals and visitors alike. A company whose people reflect the breadth of the community we serve and bring with that all the things we love about being Tasmanian.

I was privileged to have been appointed Chair in April 2019, and am particularly excited about the opportunities that lie ahead of us. I believe public transport has a key role to play in unlocking the enormous value presented by Tasmania's growing popularity as a place to live, work and visit, and look forward to leading Metro to meet these challenges together.

Financial result

Metro is committed to operating a fiscally responsible business that meets the needs of the community. In the 2018–19 year Metro recorded a loss of \$2.39m before tax and \$1.67m after tax. The loss is incurred because Metro has historically received government funding of \$3.25m as revenue, in contrast to \$4.5m currently recorded as an equity contribution in the Statement of Financial Position (refer to page 27).



During the reporting year the Department of State Growth provided \$40.2m under service contracts to Metro to operate bus services in Hobart, Launceston and Burnie. As a result of increased service utilisation, ticketing income increased to \$13.56m, equating to approximately 24 per cent of Metro's income. Major expenses continue to be employee wages and salaries, fuel, and fleet maintenance.

People and safety

I acknowledge the enormous effort and workload associated with the negotiation of Enterprise Agreements in the financial year, and commend those involved in bargaining for both Administrative and Bus Operator employees. Whilst the impact that protracted negotiations have had on the organisation is apparent, I strongly believe we can arrive at a mutually beneficial outcome, and balance our commitment to our people with our obligation to work within our means and ensure our employment terms and conditions are in line with the broader community.

Most importantly, I remain dedicated to our ongoing cultural development, delivered under the Better Metro banner, and strive to make Metro a great place to work. I therefore look forward to leading the Board in our guidance of the company and provision of support to everyone at Metro as we work to build a strong culture and WHSE performance that truly reflects our values of safety, respect, unity, resilience and service driven.

'We acknowledge there is significant public interest in a ferry service, so in September and October 2018, we engaged community and industry stakeholders to have their say...'

River Derwent ferry service

In May 2018, the Tasmanian State Government amended the Metro Tasmania Act to remove the limitation of 'road based' transport, and announced a commitment to connect Hobart CBD to Bellerive by ferry. Accordingly, Metro commenced planning by engaging leading transport consultants MRCagney for a strategic options assessment of a River Derwent ferry service, to identify the operating model most likely to succeed.

We acknowledge there is significant public interest in a ferry service, so in September and October, we engaged community and industry stakeholders to have their say in order to shape planning, identify current travel patterns, and emerging opportunities. Using a survey and facilitated forums, we received valuable input and ideas from over 800 people, and appreciate the enthusiasm of those who chose to participate in this process.

In December we submitted the MRCagney report to government, and look forward to their review of the recommendations and playing an active role in the project working group in order to progress an operating model in line with passenger expectations.

Integrated ticketing

With over 84 per cent of passengers regularly using Greencard for their travel, we acknowledge how significantly smart-ticketing contributes to both a

convenient customer experience and an efficient on-road presence. Greencard was introduced in 2009, and given the advances in technology and consumer expectations in the intervening decade, we are turning our gaze forward to a future ticketing solution.

We are pleased to work with stakeholders including the state government and TasBus to plan the transition to a more modern, integrated ticketing platform which will, in time, provide for seamless movement of passengers across operators, and support other important customer offerings like real-time travel information.

Board changes

In December 2018 Yvonne Rundle joined the Board, bringing with her qualifications and experience in accounting, auditing, financial management, and a thorough understanding of the local economic and political landscape – an asset to Metro's governance. Her tenure will briefly overlap with Director Nick Burrows, who will retire from the Board after six years in late 2019, at which point the Board will return to five Directors.

Mr Michael Harris retired from the Metro board in January 2019 after serving as a Director since December 2013 and Chair since December 2016. Metro has benefited tremendously from Michael's input during his time and on behalf of the board I thank him for his service, and look forward to continuing to implement the strategic priorities that have been guided by his leadership.



Megan Morse

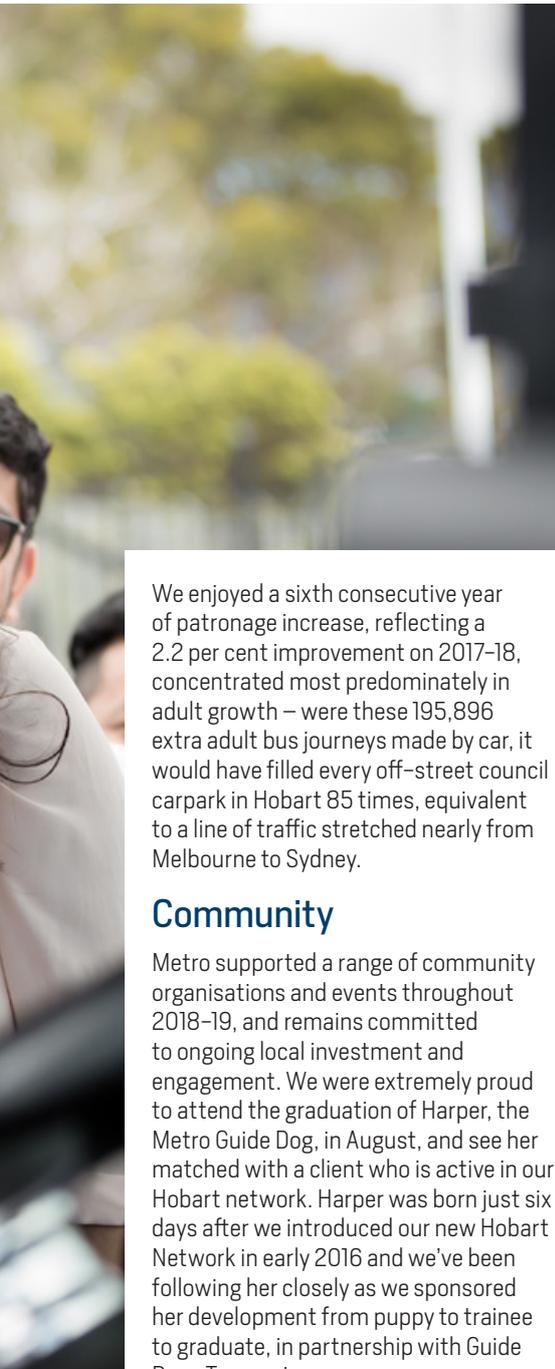
Megan Morse
Chief Executive Officer

At Metro, we're conscious of the important role we play in connecting our community. We're delighted more Tasmanians have embraced public transport over the year, and hope to sustain this trend as Metro continues to serve as a major part of the state's traffic solutions.

We know how important service reliability is in attracting and maintaining customer satisfaction, and have been delighted to see a trend of improvement continue, despite ongoing congestion challenges in Hobart.

Operations

An average day in 2018-19 saw Metro use 219 buses to deliver more than 2,000 services, servicing nearly 3,000 bus stops, on over 300 routes. We facilitated 8.50 million journeys, and continue to feature centrally in the lives of many in our community, sharing public space with almost every Tasmanian living, working or studying in our urban centres.



‘were these 195,896 extra adult bus journeys made by car, it would have filled every off-street council carpark in Hobart 85 times, equivalent to a line of traffic stretched nearly from Melbourne to Sydney.’

We enjoyed a sixth consecutive year of patronage increase, reflecting a 2.2 per cent improvement on 2017-18, concentrated most predominately in adult growth – were these 195,896 extra adult bus journeys made by car, it would have filled every off-street council carpark in Hobart 85 times, equivalent to a line of traffic stretched nearly from Melbourne to Sydney.

Community

Metro supported a range of community organisations and events throughout 2018-19, and remains committed to ongoing local investment and engagement. We were extremely proud to attend the graduation of Harper, the Metro Guide Dog, in August, and see her matched with a client who is active in our Hobart network. Harper was born just six days after we introduced our new Hobart Network in early 2016 and we've been following her closely as we sponsored her development from puppy to trainee to graduate, in partnership with Guide Dogs Tasmania.

We consolidated our strong relationship with the University of Tasmania and Tasmanian University Union, in seeking to familiarise students with Metro services and encourage them to get on board for campus and extracurricular travel. A range of travel and Greencard initiatives effectively demonstrated to thousands of students how convenient, frequent, and cost effective buses can be, and contributed to reducing CBD congestion in each of our networks.

Staying with students, in October we joined Taroona High School and its feeder primary schools to prepare 280 upcoming Grade 7 students to become

public transport users ahead of their transition to high school and greater independence. The pilot familiarisation program helped students new to the bus understand how to ride – both procedurally, in terms of finding the bus stop, reading a timetable, hailing the bus and using a Greencard, and behaviourally, by treating everyone on board with respect.

We know that catching the bus is a great way for students to gain confidence, responsibility and independence, while reducing road congestion associated with car use for school drop offs, and given the wonderful feedback from everyone involved, will be looking for opportunities to adapt this program for other audiences.

Service changes

As the contract holder for all public transport services in Tasmania, in 2018-19 the Department of State Growth assumed a more active role as not only a purchaser of services but also a system manager, in the transition to a more integrated state-wide public transport network. Following Metro-led route improvements in Chigwell and surrounds and Tranmere which offered customers improved choice, connection, and frequency, the Department of State Growth introduced further changes to Greater Hobart (primarily the Channel and South Arm) in January, and planning is currently underway to implement wholesale changes to bus services in the north and north-west affecting both Metro and our customers. As a stakeholder in this review, we will continue to contribute our demonstrated insight and technical expertise to

ensuring change is managed efficiently and securing the best possible outcomes for our services and those who rely on them.

Our people

Despite the significant impact of both planned and unplanned disruption throughout our networks over the year, Metro's employees maintained focus on the customer experience and safety, with three milestones in particular underscoring the breadth of experiences, accomplishments, and memories to which Metro can contribute.

After celebrating three years Lost Time Injury Free in our Hobart workshops in April, in November we marked achievements at opposite ends of the career spectrum, congratulating a Launceston apprentice awarded 2018 Work and Training First Year Apprentice of the Year, and farewelling a Burnie Bus Operator after 50 years and two months of service. I remain grateful to the entire organisation for demonstrating Metro's values in all that we do, and am excited to enter the next phase of Metro's operations as a united team.

Chair appointment

In succeeding Michael Harris as Chair in April, Tim Gardner has taken the next steps in what has proved a constructive leadership journey with Metro. I congratulate Tim on his new role and look forward to working with him and the remainder of the Board as we continue making Metro a passenger transport provider of which all can be proud.



Boardings made with Greencard in 2018-19

84%

Passenger Levels

During 2018-19, there were 8.50 million passenger journeys – an increase of 2.2 per cent on the previous year after adjusting for the different number of day types (school term, holidays and weekends).



Passenger journeys
8.50 million

Figure 1: Passenger Boardings



Figure 2: Boardings by Passenger Type

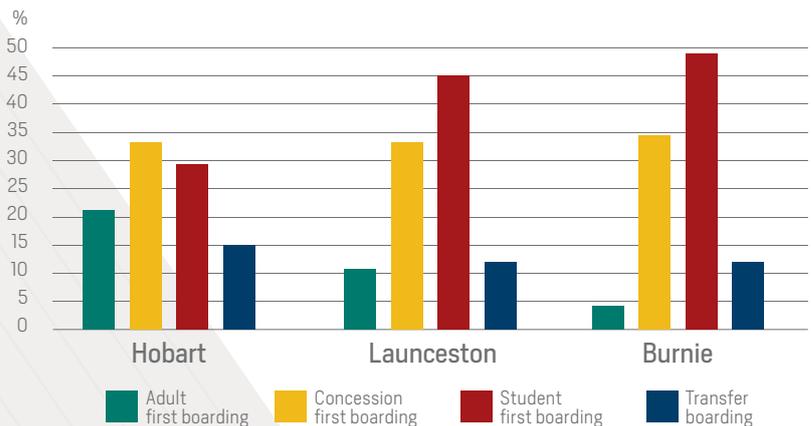
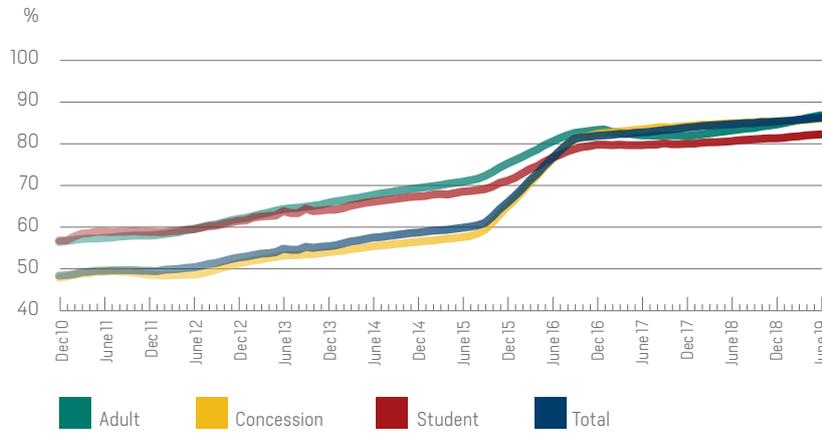


Figure 3: Usage of Greencard since implementation



'Integrated timetables and the shared use of bus stops and interchanges across bus operators were also features of State Growth's changes to the bus network.'

Service Initiatives

Integration of Bus Services

Following a review by the Department of State Growth, some bus routes and timetables in southern Tasmania changed on 20 January 2019. The Department's changes included Metro services in South Arm, Seven Mile Beach and the D'Entrecasteaux Channel, as well as services provided by other bus operators. Integrated timetables and the shared use of bus stops and interchanges across bus operators were also features of State Growth's changes to the bus network.

Launceston Tiger Bus

Metro continues to operate the City of Launceston's Free Tiger Bus Service. This year a new route to Cataract Gorge was introduced, together with extended weekend services.

Special Event Services

Metro's special event services help to reduce traffic congestion and provide event attendees with a convenient and safe travel alternative.

In partnership with MAIB, Metro operated Nightrider services in Hobart, Launceston and Burnie on New Years Eve. The additional services continue to be well patronised.

Free bus services for major sporting events at Blundstone Arena, Bellerive were again operated by Metro in partnership with Blundstone Arena.

Bus Fleet

The Disability Standards for Accessible Public Transport (DSAPT) require that 80 per cent of services are provided using accessible buses. In 2018-19 Metro provided 77 per cent of services with accessible buses. This figure is calculated with dedicated school services excluded as per the DSAPT.

The new buses that will join our fleet over the remainder of our Accelerated Bus Replacement Program will enable Metro to be 100 per cent compliant with the DSAPT well ahead of the benchmark date of December 2022.



219
buses in fleet



100%
with CCTV



77%
accessible services

General access services delivered with low floor accessible buses



70%
DDA compliant

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



60%
with air conditioning



Workforce Development

Metro continues to invest in the development of its workforce, both professionally and to ensure it meets regulatory requirements.

During 2018-19 Metro continued its strong commitment to initial and ongoing training and assessment of bus operators through its directly employed training team. Additionally three Metro employees undertook nationally accredited VET training and the organisation engaged a range of providers to enable delivery of learning and development programs to meet business needs.

These programs include crucial conversations, job evaluation, workplace first aid, contact officer and health and safety representatives.

Metro also continued to work on building a more inclusive workforce that better reflects the diversity of our broader community.

Apprenticeships and Traineeships

Four apprentices (two in Hobart and two in Launceston) have been undertaking a Certificate III Heavy Commercial Vehicle Mechanical Technology apprenticeship with Metro through its apprenticeship partner.

Safety Performance

Consistent with its commitment to safety, Metro continued to apply a systematic approach to safety management throughout the business during the financial year. This was enabled by a sustained focus on improving safety awareness, capability, ownership and leadership. In 2018-19 particular focus was given to engagement, development and utilisation of health and safety representatives within Metro's business, with the aim of continuously improving employee consultation and communication regarding safety matters.

Figure 4: Employees recruited



74 employees recruited in 2018-19



Figure 5: Employment profile

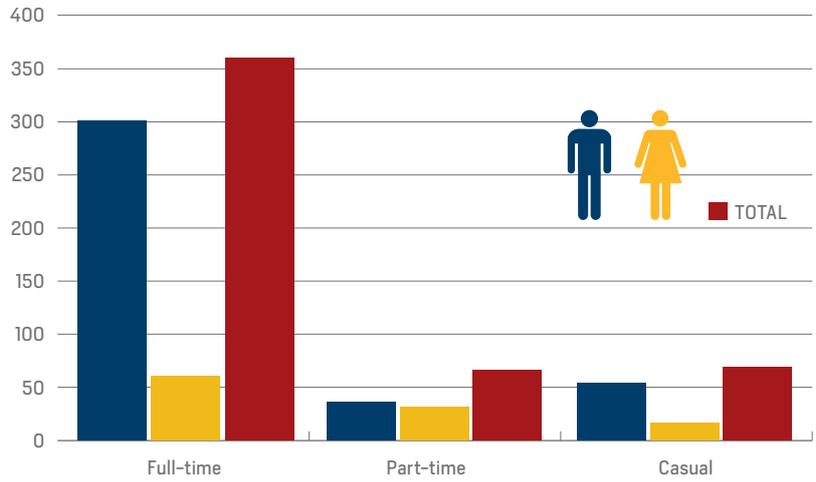


Figure 6: Employee age profile

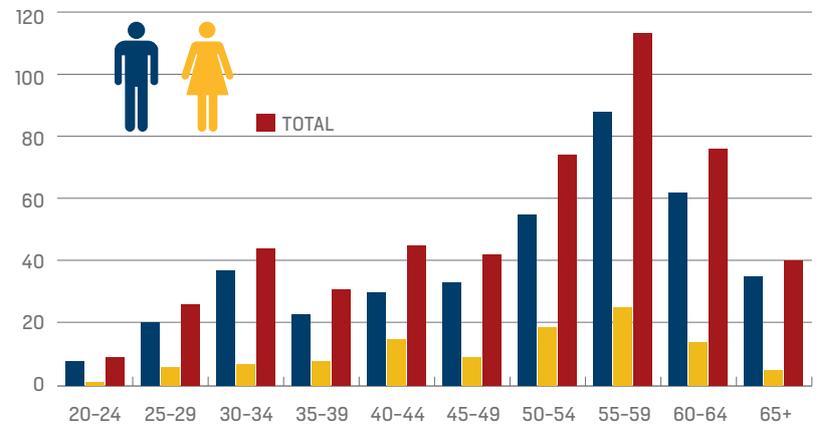
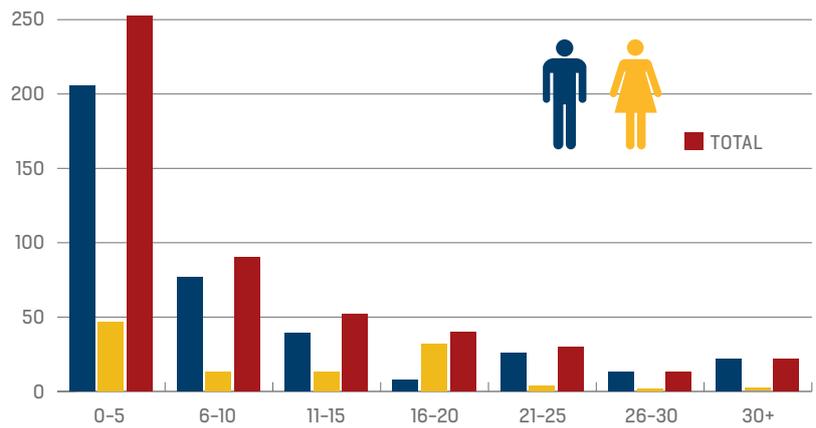


Figure 7: Years of service



OUR CUSTOMERS



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 City interchange, and Metro's 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.

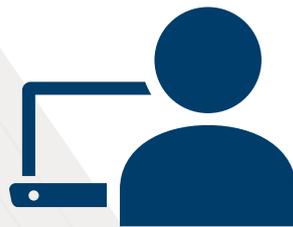
When we have failed to meet customer expectations, we aim to provide a response at the first point of contact, or conduct an investigation and provide a response within ten business days when follow up is required.



12,372
Average monthly visits
to the Metro Shop



204
Compliments



1.8 million
Website visits
June 2018–June 2019



1.1 million
Journeys planned using
online Trip Planner
June 2018–June 2019

Figure 8: Breakdown of complaints



Customer Survey



Overall satisfaction
76%



Satisfaction with Bus Operators
81%



Satisfaction with personal safety
83%



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



49%
Study



37%
Work



32%
Shopping



26%
Visiting



19%
Sport or entertainment



13%
Health or welfare



8%
Other

percentages may not sum to 100% due to rounding

BOARD OF DIRECTORS



Tim Gardner (Chair)

Mr Tim Gardner was appointed Director on 22 December 2015, Deputy Chair on 19 December 2016, and Chair on 16 April 2019. He is the Executive Chairman of Stornoway, State President of the Australian Water Association and Chair of the Engineers Australia (Tasmania) Workforce Development Advisory Group. He is a graduate of the Australian Institute of Company Directors and a Companion of Engineers Australia.

Nick Burrows

Mr Nick Burrows was appointed Director on 20 December 2013. He is also a Director of Clean Seas Seafood Limited, PFG Group Pty Ltd, MIC Pty Ltd, Taswater and Australian Seafood Industries Pty Ltd. He is also a member of the 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, Chartered Accountants Australia New Zealand, Governance Institute of Australia and of the Financial Services Institute of Australasia.

Jude Munro AO

Ms Jude Munro was appointed Director on 19 December 2016. She is also a Director of Newcastle Airport Pty Ltd. She is the Chair of Victorian 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, Solicitor, Consultant and former CEO of Women's Legal Services Tasmania. She is a graduate of the Australian Institute of Company Directors. She is also a University Associate at the Faculty of Law at the University of Tasmania.

Yvonne Rundle

Ms Yvonne Rundle was appointed Director on 5 December 2018. She is Chair of the Aurora Energy Audit and Risk Committee. She is also a Director of TasTAFE, Fairbrother Foundation Pty Ltd, Action Against Homelessness Limited, University of Tasmania Foundation Incorporated and Director of a number of privately owned companies. She is a former owner and Director of a state-wide Chartered Accounting practice. She is a Fellow of Chartered Accountants Australia New Zealand, the Australian Institute of Company Directors and the University of Tasmania.



The Directors of Metro Tasmania Pty Ltd present the annual financial report for the year ended 30 June 2019.

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 2019 the company incurred a loss before income tax of \$2.39 million (2018: loss of \$1.94 million) and an after tax loss of \$1.67 million (2018: loss of \$1.36 million). A detailed review of operations is contained in the Chair's Report on page 4 and in the 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 2018.

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 in the 2019–20 Budget 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, 2017–18 and 2018–19 as equity contributions will be used to fund Metro's bus replacement program over the next two years. Metro will receive funding of \$7.5 million over the 2019–20 Budget and Forward Estimates to fund an integrated ticketing system project.

Environmental Regulation

Metro is subject to various environmental regulations under Commonwealth and State legislation. Metro regularly monitors compliance with environmental regulations. No statutory breaches were reported in the 2018–19 year.

Directors

The names of the Directors during the financial year are set out in Note D2 of the Financial Statements. The names of current Directors and details of their qualifications and experience appear on page 14. Directors are appointed for terms of three years by the Shareholder Ministers and are eligible for reappointment in accordance with the *Guidelines for Tasmanian Government Businesses – Board Appointments* issued by the Department of Treasury and Finance. The Chair is appointed annually by the Shareholder Ministers.

Directors of Metro at any time during or since the end of the financial year were:

Mr Tim Gardner

Mr Gardner was appointed in December 2015 and is a member of Metro's People and Culture Committee. *Current term: 22 December 2015 – 30 November 2021*

Mr Nick Burrows

Mr Burrows was appointed in December 2013 and is a member of Metro's Audit and Risk Committee. *Current term: 22 December 2015 – 30 November 2019*

Ms Jude Munro

Ms Munro was appointed in December 2016 and is a member of Metro's People and Culture Committee. *Current term: 19 December 2016 – 30 November 2019*

Ms Susan Fahey

Ms Fahey was appointed in December 2016 and is a member of Metro's Audit and Risk Committee and People and Culture Committee. *Current term: 19 December 2016 – 30 November 2019*

Ms Yvonne Rundle

Ms Rundle was appointed in December 2018 and is a member of Metro's Audit and Risk Committee. *Current term: 5 December 2018 – 30 November 2021*

Mr Michael Harris

Mr Harris was appointed a Director in December 2013 and became Chair on 19 December 2016 and retired from the Board in January 2019. Mr Harris was a member of Metro's People and Culture Committee. *Current term: 19 December 2016 – 30 January 2019*

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 D2 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 Metro Executives is set in accordance with the *Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration*, dated July 2018. 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 has complied with the *Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration*.

Board and Committee Meetings

The number of meetings (Board and Committee meetings) attended by each Director during the financial year ended 30 June 2019 are:

Director	Board		Audit and Risk Committee		People and Culture Committee	
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended
Tim Gardner	12	12	2	1	3	3
Nick Burrows	12	12	6	6	-	-
Jude Munro	12	12	-	-	3	3
Susan Fahey	12	12	6	6	2	2
Yvonne Rundle	6	6	4	4	-	-
Michael Harris	7	7	-	-	1	1

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

Indemnification of Directors and Officers

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

Superannuation Declaration

The company has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* in respect to those employees who are members of a complying superannuation scheme to which the company contributes. The company also has a defined benefit scheme, under the *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 20.

Rounding Off of Amounts

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

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

Tim Gardner

7 August 2019

Corporate Governance Framework

Metro has adopted, where relevant, governance practices that comply with the eight ASX Corporate Governance Principles and Recommendations, as expected by its Shareholding Ministers, under the *Tasmanian Government Businesses Governance Framework Guide* as follows:

Principle 1 – Lay solid foundations for management and oversight

The Board consists of six independent non-executive Directors, whose qualifications and meeting attendances are outlined on pages 14, 15 and 16. The roles and responsibilities of Directors are set out in their letters of appointment, the Board Charter and Matters Reserved for the Board document.

The Board has delegated the authority to manage the day to day operations to the CEO, subject to specific delegations and limits, as outlined in the Board approved Delegations of Authority Manual. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The value of diversity is embedded in organisational policies and practices and Metro's Code of Conduct. The Board is committed to complying with the Government's policy of gender equity on Boards by 2020.

The Board Charter requires reviews of the Board, its Committees and Directors in line with the *Tasmanian Business Guidelines – Assessing Board Performance*. An external independent review is normally conducted every three years, with one undertaken this financial year. There is a formal process for regularly reviewing performance of the Executive Managers and includes assessment of performance against key performance indicators and addresses training and development requirements.

Principle 2 – Structure the Board to be effective add value

The Board of Directors act as a Nominations Committee, establishes a Director Selection Advisory Panel and engages an executive search firm to assist the panel to identify potential candidates for upcoming Board vacancies.

The Board maintains a skills matrix which sets out the mix of skills and diversity that the Board has. The Chair and all of Metro's other Directors are independent Directors and their length of service is outlined on pages 14, 15 and 16. Directors are responsible for notifying the Board of any material personal interest in any matter relating to the affairs of Metro and make annual declarations regarding any related party transactions. The Board has a comprehensive induction program in place for new Directors and is managed by the Chair and the Company Secretary and the Board is committed to ongoing professional development for Directors.

Principle 3 – Instil a culture of acting lawfully, ethically and responsibly

Metro has a set of values, Code of Conduct and a specific Code of Conduct for Directors which outlines the expectations of Directors in complying with the spirit and intent of the code, as well as complying with all applicable legislation.

The Code of Conduct is underpinned by other policies and procedures that articulate the expectations to act ethically and responsibly, as well as comply with legislative and regulatory obligations. These include the Right to Information Procedure, Privacy Policy, Public Interest Disclosure Policy, Anti-Fraud and Corruption Procedure and Procurement Procedure.

Principle 4 – Safeguard the integrity of corporate reports

The Board has established an Audit and Risk Committee which considers and monitors matters relating to financial integrity, external reporting, risk management, and internal and external audit functions. The Committee comprises three Directors and is chaired by an independent Director who is not a Chair of the Board. Membership of the Committee and meeting attendances for the year are set out on pages 15 and 16.

The Committee reviews the annual financial statements and recommends them to the Board for consideration. As part of the end-of-year processes, the CEO and CFO provide the required declarations under section 295A of the *Corporations Act 2001*. Metro's external auditor is the Tasmanian Auditor-General and members confirm the appointment at each AGM. The Auditor-General or his representatives attend meetings of the Audit and Risk Committee from time to time, and attend the annual AGM.

Principle 5 – Make timely and balanced disclosure

The Chair, CEO and Company Secretary regularly meet with Shareholder Ministers to provide briefings on key strategic issues and developments. Details about disclosures made under the *Right to Information Act 2009* and the *Public Interest Disclosures Act 2002* are set out on page 18.

Principle 6 – Respect the rights of security holders

Metro's Constitution outlines the rights and powers of Shareholder Ministers. Shareholder Ministers can issue various Guidelines and Directives to the Company. Shareholder Ministers have issued a Members' Statement of Expectation, which is incorporated into the Corporate Plan and the Board agrees on a Statement of Corporate Intent with Shareholder Ministers each year. Metro complies with formal reporting obligations under the Constitution, applicable legislation and Guidelines and provides regular briefings to Shareholder Ministers.

Principle 7 – Recognise and manage risk

The Board has established an Audit and Risk Committee which oversees risk management and internal control. Membership of the Committee and meeting attendances for the year are set out on pages 15 and 16. Metro's Risk Management Framework is approved and overseen by the Board. The Audit and Risk Committee monitors current and emerging risks and that status of plans and controls to manage those risks.

The Audit and Risk Committee oversees the internal audit function which is outsourced, including the approval of the audit plan, receiving reports of all audits undertaken and monitoring the implementation of recommendations.

Principle 8 – Remunerate fairly and responsibly

The Board has established a People and Culture Committee that oversees remuneration practices and policies in relation to Executive Managers and other staff of the company. The Committee comprises three Directors and is chaired by an independent Director who is not a Chair of the Board. Membership of the Committee and meeting attendances for the year are set out on pages 15 and 16.

The Committee makes recommendations to the Board on the remuneration packages to be awarded to the Executive Management Team, which is consistent with the *Guidelines for Tasmanian*

Government Businesses – Director and Executive Remuneration, dated July 2018. The Financial Statements detail the remuneration of Directors and Executives and its composition on pages 47 and 48. Director Fees are set by the Tasmanian Government under the Remuneration Framework for Government Boards.

Public Interest Disclosures

Metro complies with the *Public Interest Disclosures 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 five Right to Information requests in 2018–19. All were dealt with as an Assessed Disclosure.

Buy Local

Under the *Guidelines for Tasmanian Government Businesses – Buy Local* dated September 2014, Metro is required to establish appropriate reporting regimes in relation to purchases, consultants and the engagement of Tasmanian businesses and provide details of these annually. A "Tasmanian business" is a business operating in Tasmania which has a permanent office or presence in Tasmania and employs Tasmanian workers. Purchases are defined as operating expenses (excluding employment, finance and depreciation expenses) and capital expenditure.

The following tables meet the reporting requirements of the Guidelines.

Purchases from Tasmanian businesses	
% of purchases from Tasmanian businesses	92.4%
Value of purchases from Tasmanian businesses	\$42,477,613

Consultancies valued at more than \$50,000 (ex GST)				
Name of consultant	Location	Description	Period of engagement	Amount
Peopleworks Pty Ltd	Tasmania	Employee Contact	July 2018 to June 2019	\$106,189
Chris Wells and Associates	Tasmania	EBA & Bus Project	July 2018 to June 2019	\$121,750
MRCagney	Queensland	Ferry Consultancy Services	July 2018 to June 2019	\$106,664
Edge Legal	Tasmania	Legal Services	July 2018 to June 2019	\$176,471
Deloitte	Tasmania	Internal Audit Services	July 2018 to June 2019	\$52,553
Total				\$563,627
There were 11 consultants engaged for \$50,000 or less totalling				\$106,144
Total Payments to Consultants				\$669,771

Overseas Travel

During the year there was no overseas travel undertaken by Metro employees or Directors.

Payment of Accounts

Under the *Guidelines for Tasmanian Government Businesses – Payment of Accounts* dated September 2014, Metro is required to implement appropriate policies and procedures to ensure that all accounts are paid on time and if not, interest is paid for late payments. The expectation is to pay all invoices correctly rendered by suppliers, within the period specified by the supplier, or where the contract is silent on payment terms, 30 calendar days from the date of the correctly rendered invoice.

The following table meets the reporting requirements of the Guidelines.

Payment of Accounts	
Creditor Days	18
Number of accounts due for payment	8,254
Number of accounts paid on time	8,029
Amounts due for payment	\$45,325,989
Amounts paid on time	\$44,753,777
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	\$0

Payments not made in accordance with due dates required further action to be taken before payment could be made, for example:

- Invoices may have been incomplete, inaccurate or there may have been a dispute regarding the price of goods or services or their delivery
- Invoices being received in advance of goods or services being received or invoices being received late from the supplier

Metro has encouraged vendors to send invoices electronically in a timely and complete manner in order to improve performance.

Key Performance Targets

Financial targets	2018-19 target	2018-19 actual	Status
Operating profit/(loss) before tax (\$'000)	(3,520)	(2,385)	●
Fares revenue (\$'000)	13,027	13,563	●
Total cost per service kilometre (\$)	6.21	6.33	●
% reduction in corporate overheads	0.5	0	●

Non-financial targets	2018-19 target	2018-19 actual	Status
Network effectiveness			
Patronage ('000 first boardings)	8,277	8,504	●
First boardings per service kilometre	0.9	0.9	●
% of boardings made with a Greencard	83	84	●
Operator efficiency			
% of trips delivered	99	100	●
% of trips delivered on time	90	87	●
% of general access services delivered by DDA compliant buses	73	77	●
% of kilometres that are out of service (dead running)	18	17	●
% of rostered hours that are bus hours (under time hours)	0.7	2.4	●
Service quality			
% overall passenger satisfaction (from Customer Satisfaction Survey)	79	76	●
Number of complaints per 100,000 service kilometres	18	17	●
Safety			
At fault vehicle accidents per 100,000 kilometres	3.9	3.1	●
Lost Time Injury Frequency Rate	<5	27.6	●

Performance Commentary

Targets for total cost per service kilometre and corporate overhead reduction were not met due to exceptional circumstances resulting from protected industrial action.

The percentage of rostered hours that are bus hours (under time hours) indicator was not met. The proportion of under time hours increased due to an equivalent reduction in the amount of hours allocated as 'standby'. Network and timetable alterations introduced as a consequence of the Department of State Growth's review of Southern bus services has also impacted on the construction of duties.

The Lost Time Frequency Rate indicator was not met. A Lost Time Injury (LTI) is recorded if an employee requires any time away from work following any injury, including those resulting from non-physical incidents. Metro will continue to look for opportunities to promote health and safety in the workplace, and our emphasis on prevention through health and wellbeing, with a view to reducing the number of LTIs by improving Metro employees' overall fitness for work, will continue.

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

7 August 2019

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 (the Group) for the financial year ended 30 June 2019, 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

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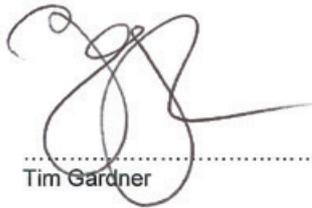
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METRO TASMANIA PTY LTD

DIRECTORS' DECLARATION

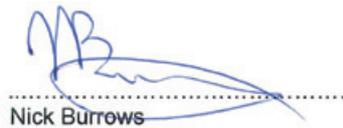
1. In the opinion of the Directors of the Consolidated Entity:
 - (a) the Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
 - (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declaration required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2019.
3. The Directors draw attention to Note A2 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:



.....
Tim Gardner

Chair



.....
Nick Burrows

Director

7 August 2019



Tasmanian Audit Office

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 2019, the consolidated statements of profit or 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 2019 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 of the Group 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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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 notes B2, C5 (a),(b)</i></p> <p>The Company's bus fleet, \$35.32m, land, \$8.45m, and buildings, \$6.68m, are independently revalued every three years.</p> <p>In determining the value of bus, land and buildings, the Company exercises significant judgement and the valuation is highly dependent on a range of assumptions and estimates. For these reasons, the valuation of buses, land and buildings is an area requiring particular audit attention.</p> <p>Calculation of depreciation of buses and buildings includes estimation of useful lives and residual values also involves a high degree of subjectivity.</p> <p>Changes in assumptions underlying depreciation calculations can significantly impact the depreciation charged.</p>	<ul style="list-style-type: none"> Assessing the scope, expertise and independence of experts engaged to assist in valuations. Evaluating the appropriateness of the valuation methodology applied to determine fair values. Testing, on a sample basis, additions and disposals from 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 D1 and D3</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 \$24.84m at 30 June 2019.</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. Assessing the adequacy of relevant disclosures in the financial report.

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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 2019, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- 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

7 August 2019
Hobart

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Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	B4	19,552	25,994
Trade and other receivables	C1	597	416
Inventories	C2	2,511	2,168
Assets held for sale	C3	266	185
Other current assets	C4	978	982
TOTAL CURRENT ASSETS		23,904	29,745
NON-CURRENT ASSETS			
Property, plant and equipment	C5	55,607	48,261
Intangible assets	C6	313	173
Deferred tax assets	B3(d)	9,822	9,291
TOTAL NON-CURRENT ASSETS		65,742	57,725
TOTAL ASSETS		89,646	87,470
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	C7	7,032	5,299
Other current liabilities	C8	1,105	522
Employee benefits	D1	5,688	5,546
TOTAL CURRENT LIABILITIES		13,825	11,367
NON-CURRENT LIABILITIES			
Employee benefits	D1	24,637	22,422
Deferred tax liabilities	B3(d)	712	2,438
TOTAL NON-CURRENT LIABILITIES		25,349	24,860
TOTAL LIABILITIES		39,174	36,227
NET ASSETS		50,472	51,243
EQUITY			
Contributed equity	F1	42,003	37,503
Asset revaluation reserves	F2	10,535	14,346
Retained profits / (losses)	F3	(2,066)	(606)
TOTAL EQUITY		50,472	51,243

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 2019

	Note	2019 \$'000	2018 \$'000
REVENUE			
Passenger transport operations	B1(a)	54,128	51,653
Other income	B1(b)	1,246	982
Financial income	B1(c)	506	578
		55,880	53,213
EXPENSES			
Passenger transport operations	B2(a)	(42,561)	(40,031)
Engineering and maintenance services	B2(b)	(7,251)	(7,319)
Administration and general	B2(c)	(7,516)	(6,824)
Finance costs	B2(d)	(937)	(975)
		(58,265)	(55,149)
Profit/(loss) before income tax		(2,385)	(1,936)
Income tax(expense)/benefit	B3(a)	714	579
Profit/(loss) for the year		(1,671)	(1,357)

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 2019

	Note	2019 \$'000	2018 \$'000
Profit/(loss) for the year		(1,671)	(1,357)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net asset revaluation increment/(decrement)	F2	(2,992)	1,620
Actuarial gain/(loss) on defined benefit plan	D3	(2,151)	618
Income tax on other comprehensive income	B3(c)	1,543	(397)
Total other comprehensive income for the year, net of income tax		(3,600)	1,841
Total comprehensive income for the year		(5,271)	484

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 2019

	Contributed equity	Asset revaluation reserves	Retained profits/ (losses)	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	37,503	14,346	(606)	51,243
Profit/(loss)	-	-	(1,671)	(1,671)
Other comprehensive income:				
Net asset revaluation increment/(decrement)	-	(2,992)	-	(2,992)
Actuarial gain/(loss) on defined benefits plans	-	-	(2,151)	(2,151)
Income tax relating to components of other comprehensive income	-	-	1,543	1,543
Total comprehensive income for the year	-	(2,992)	(2,279)	(5,271)
Transfers between reserves	-	(819)	819	-
Equity contribution	4,500	-	-	4,500
Balance as at 30 June 2019	42,003	10,535	(2,066)	50,472

For the year ended 30 June 2018

	Contributed equity	Asset revaluation reserves	Retained profits/ (losses)	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	33,003	12,751	505	46,259
Profit/(loss)	-	-	(1,357)	(1,357)
Other comprehensive income				
Net asset revaluation increment/(decrement)	-	1,620	-	1,620
Actuarial gain/(loss) on defined benefits plans	-	-	618	618
Income tax relating to components of other comprehensive income	-	-	(397)	(397)
Total comprehensive income for the year	-	1,620	(1,136)	484
Transfers between reserves	-	(25)	25	-
Equity contribution	4,500	-	-	4,500
Balance as at 30 June 2018	37,503	14,346	(606)	51,243

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 2019

	Note	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales and service contracts		59,289	54,995
Interest received		422	594
Cash paid to suppliers and employees		(54,359)	(52,728)
Net cash from operating activities	B4(b)	5,352	2,861
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		172	107
Acquisition of property, plant and equipment		(16,466)	(6,637)
Net cash used in investing activities		(16,294)	(6,530)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity contribution		4,500	4,500
Net cash from financing activities		4,500	4,500
Net increase/(decrease) in cash and cash equivalents		(6,442)	831
Cash and cash equivalents at the beginning of the financial year		25,994	25,163
Cash and cash equivalents at the end of the financial year	B4	19,552	25,994

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

Notes to the Financial Statements

Section A

Corporate information and basis of preparation

A1 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 2019 comprise the Company and its subsidiary Metro Coaches (Tas) Pty Ltd (together referred to as "Metro").

A2 STATEMENT OF COMPLIANCE

The Consolidated Financial Statements are in accordance with:

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

A3 BASIS OF PREPARATION

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.

A4 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.

A5 JUDGEMENTS AND ASSUMPTIONS

In the application of AASBs, 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.

Significant judgements, estimates and assumptions included in the Financial Statements:

- Impairment (Trade and Other Receivables, Inventories, Assets held for Sale and Plant, Property and Equipment) – Notes C1, C2, C3, C5;
- Measurement of defined benefit obligations (Employee Benefits) – Notes D1 and D3;
- Valuation of Land and Buildings and Buses (Property, Plant and Equipment) – Note C5;
- Depreciation and Amortisation (Property, Plant and Equipment) – Note C5; and
- Provisions for employee benefits – Note D1.

Notes to the Financial Statements

A6 CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

In the current year, Metro has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

These include:

- **AASB 15 Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118, AASB 111 and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The application of AASB 15 did not have an impact on Metro's accounting policies with respect to revenue streams disclosed at Note B1.

- **AASB 9 Financial Instruments**

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaced AASB 139.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). Metro's accounting policy has been updated to classify financial assets under the new categories within Note E1. The reclassification has not impacted the value of the financial assets.

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Disclosure around the application of the impairment model is in Note E1. The application of the impairment model under AASB 9 was assessed to have no impact on the financial assets as at 30 June 2019, or comparatives.

The following standards and amendments were available for early adoption but have not been applied by Metro in these financial statements:

- **AASB 16 Leases (effective first full financial reporting period after 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 assets 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 has been undertaken. Given the small number and value of leases within the business there will be additional disclosures required, however, the impact on the Statement of Financial Position and Statement of Profit and Loss will be immaterial.

A7 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 F10. 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

Section B

Detailed information on financial performance

B1 REVENUE

Accounting Policy

Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

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.

	2019 \$'000	2018 \$'000
(a) Passenger transport operations		
Service contracts	40,565	39,014
Ticket fares	13,563	12,639
	54,128	51,653
(b) Other income		
Profit on disposal of property, plant and equipment	44	32
Advertising income	727	569
Rental income	7	6
Other income	468	375
	1,246	982
(c) Financial income		
Interest income	506	578
	506	578
Total income	55,880	53,213

Notes to the Financial Statements

B2 EXPENSES

	2019 \$'000	2018 \$'000
(a) Passenger transport operations		
Fuel	5,350	4,638
Employee and related expenses	28,922	28,401
Depreciation and amortisation expenses	4,626	3,850
Other expenses	3,663	3,142
	42,561	40,031
(b) Engineering and maintenance services		
Maintenance expense	4,270	4,477
Employee and related expenses	2,630	2,514
Depreciation and amortisation expenses	351	328
	7,251	7,319
(c) Administration and general		
Employee and related expenses	4,244	3,785
Depreciation and amortisation expenses	398	422
Other expenses	2,874	2,617
	7,516	6,824
(d) Finance costs		
Actuarial interest costs	937	975
	937	975
Total expenses	58,265	55,149

Notes to the Financial Statements

B3 INCOME TAX

Accounting Policy

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) expired 31 December 2018 and contract extensions have been negotiated to 18 January 2020. 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.

	2019 \$'000	2018 \$'000
(a) Income tax expense recognised in the Statement of Profit or Loss		
Current tax expense		
Current tax	281	(135)
Deferred tax expense		
Decrease/(increase) in deferred tax asset	(812)	49
Increase/(decrease) in deferred tax liability	(1,726)	(96)
Less recognised directly in equity	1,543	(397)
Income tax expense/(benefit)	(714)	(579)
(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% (2018: 30%)	(715)	(581)
Add tax effect of:		
Entertainment (non-deductible)	1	2
	(714)	(579)
(c) Income tax expense recognised directly to equity		
Property, plant and equipment (Note C5)	898	(212)
Superannuation (Note D3)	645	(185)
	1,543	(397)
(d) Non-current and deferred tax balances		
Assets:		
Deferred tax assets	9,822	9,291
	9,822	9,291
Liabilities:		
Deferred tax liability	712	2,438
	712	2,438
	9,110	6,853

Notes to the Financial Statements

B3 INCOME TAX (continued)

	2019	Opening balance 1 July 2018	Prior year adjustment	Recognised in equity	Recognised in the Statement of Profit or Loss	Balance at 30 June 2019
		\$'000	\$'000	\$'000	\$'000	\$'000
Superannuation		6,753	-	645	53	7,451
Tax losses		394	-	-	(281)	113
Employee benefits		1,748	-	-	30	1,778
Accrued costs		395	-	-	85	480
Other provisions		2	-	-	(2)	-
Prepayments		(69)	-	-	2	(67)
Inventories		(60)	-	-	(13)	(73)
Property, plant and equipment		(2,298)	-	898	865	(535)
Accrued income		(12)	-	-	(25)	(37)
Total		6,853	-	1,543	714	9,110

	2018	Opening balance 1 July 2017	Prior year adjustment	Recognised in equity	Recognised in the Statement of Profit or Loss	Balance at 30 June 2018
		\$'000	\$'000	\$'000	\$'000	\$'000
Superannuation		6,908	-	(185)	30	6,753
Tax losses		259	-	-	135	394
Employee benefits		1,666	-	-	82	1,748
Accrued costs		344	-	-	51	395
Other provisions		28	-	-	(26)	2
Prepayments		(69)	-	-	-	(69)
Inventories		(46)	-	-	(14)	(60)
Property, plant and equipment		(2,404)	-	(212)	318	(2,298)
Accrued income		(15)	-	-	3	(12)
Total		6,671	-	(397)	579	6,853

Notes to the Financial Statements

B4 CASH AND CASH EQUIVALENTS

Accounting Policy

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

	2019 \$'000	2018 \$'000
Cash at bank and on hand	4,511	1,747
Call deposit at Tascorp	3,541	3,247
Term deposits	11,500	21,000
	19,552	25,994
(a) 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
(b) Reconciliation of profit for the period to net cash provided by operating activities		
Profit/(loss) after income tax	(1,671)	(1,357)
Add (less) non cash items:		
Depreciation	5,268	4,473
Amortisation	106	127
Income tax expense	(714)	(579)
Impairment of buses	405	-
Loss/(profit) on sale of non-current assets	(44)	(32)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(181)	(3)
(Increase)/decrease in inventories	(342)	(198)
(Increase)/decrease in other current assets	4	(173)
Increase/(decrease) in trade and other payables	1,732	327
Increase/(decrease) in other current liabilities	583	-
Increase/(decrease) in provisions	206	276
Net cash inflow from operating activities	5,352	2,861

Notes to the Financial Statements

Section C

Detailed information on Statement of Financial Position items

C1 TRADE AND OTHER RECEIVABLES

Accounting Policy under AASB 9 – applicable from 1 July 2018

Trade receivables that do not contain a significant financing component are measured at amortised cost, which represents their transaction value. Impairment is recognised on an expected credit loss (ECL) basis. When determining whether the credit risk has increased significantly since initial recognition, and when estimating ECL, Metro considers reasonable and supportable information that is relevant and available without undue cost or effort. This included both quantitative and qualitative information and analysis based on Metro's historical experience, an informed credit assessment and forward looking information.

Accounting Policy under AASB 139 – applicable for 2018 comparative

Trade and other receivables are recorded at nominal amounts due less any allowance 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.

	2019 \$'000	2018 \$'000
Trade receivables	255	155
Other receivables	342	261
	597	416

There are no expected credit losses as at 30 June 2019 and the application of AASB 9 had no impact on the comparatives.

C2 INVENTORIES

Accounting Policy

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

	2019 \$'000	2018 \$'000
Inventories	2,511	2,173
Less provision for obsolescence	-	(5)
	2,511	2,168

C3 ASSETS HELD FOR SALE

Accounting Policy

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.

	2019 \$'000	2018 \$'000
Buses	266	185
	266	185

Assets held for sale relates to 35 buses (2018: 38 buses) and are expected to be settled within 12 months. The level 3 fair value of the buses as at 30 June 2019 is \$266,000 (2018: \$185,000).

Notes to the Financial Statements

C4 OTHER CURRENT ASSETS

	2019 \$'000	2018 \$'000
Prepayments	978	982
	978	982

C5 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

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'. For financial year ended 30 June 2019 this applied an effective life of 30 years. The future depreciation profile will apply an effective life of 25 years for the rigid buses and 30 years for the articulated buses, as recommended by the independent valuer.

Notes to the Financial Statements

C5 PROPERTY, PLANT AND EQUIPMENT (continued)	2019 \$'000	2018 \$'000
(a) Carrying amounts		
Land and buildings		
Land		
At fair value	8,450	8,450
Total	8,450	8,450
Buildings		
At fair value	6,850	6,850
Less: accumulated depreciation	(172)	-
Total	6,678	6,850
Total land and buildings	15,128	15,300
Buses		
At fair value	35,315	33,333
Less: accumulated depreciation	-	(6,101)
Total	35,315	27,232
Route infrastructure		
At cost	3,868	3,647
Less: accumulated depreciation	(2,757)	(2,566)
Total	1,111	1,081
Office equipment		
At cost	1,527	1,726
Less: accumulated depreciation	(1,268)	(1,457)
Total	259	269
Electronic ticketing & communication equipment		
At cost	5,069	5,098
Less: accumulated depreciation	(4,807)	(4,329)
Total	262	769

Notes to the Financial Statements

C5 PROPERTY, PLANT AND EQUIPMENT (continued)	2019 \$'000	2018 \$'000
CCTV Equipment		
At cost	1,466	1,467
Less: accumulated depreciation	(1,348)	(1,305)
Total	118	162
Plant and equipment		
At cost	1,852	1,703
Less: accumulated depreciation	(1,053)	(922)
Total	799	781
Auxiliary vehicles		
At cost	369	400
Less: accumulated depreciation	(157)	(205)
Total	212	195
Work in progress		
At cost	2,403	2,472
Total	2,403	2,472
Total property, plant and equipment	55,607	48,261

Notes to the Financial Statements

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Reconciliation of movements in carrying amounts

2019	Land	Buildings	Buses	Route	Office	Electronic	Plant and	Auxiliary	Work in	Total
	at fair value	at fair value	at fair value	infra-structure	equipment	ticketing and communication equipment	equipment	vehicles	progress	
	\$'000	\$'000	\$'000	at cost	at cost	at cost	at cost	at cost	at cost	\$'000
Carrying amount at 1 July	8,450	6,850	27,232	1,081	269	769	162	195	2,472	48,261
Additions	-	-	-	222	110	4	-	166	15,865	16,448
Disposals	-	-	(121)	-	(11)	(8)	-	(63)	-	(203)
Revaluation increments/(decrements)	-	-	(2,992)	-	-	-	-	-	-	(2,992)
Impairment losses	-	-	(405)	-	-	-	-	-	-	(405)
Assets held for sale	-	-	(234)	-	-	-	-	-	-	(234)
Net transfers	-	-	15,864	-	16	-	-	-	(15,934)	-
Depreciation	-	(172)	(4,029)	(192)	(125)	(503)	(44)	(86)	-	(5,268)
Carrying amount at 30 June	8,450	6,678	35,315	1,111	259	262	118	212	2,403	55,607

2018	Land	Buildings	Buses	Route	Office	Electronic	Plant and	Auxiliary	Work in	Total
	at fair value	at fair value	at fair value	infra-structure	equipment	ticketing and communication equipment	equipment	vehicles	progress	
	\$'000	\$'000	\$'000	at cost	at cost	at cost	at cost	at cost	at cost	\$'000
Carrying amount at 1 July	7,535	6,014	24,256	1,134	362	1,275	109	255	3,042	44,689
Additions	-	-	3,852	129	56	6	91	56	2,216	6,588
Disposals	-	-	(27)	(3)	-	-	-	(23)	-	(55)
Revaluation increments/(decrements)	915	988	-	-	-	-	-	-	-	1,903
Impairment losses	-	-	(283)	-	-	-	-	-	-	(283)
Net transfers	-	-	2,678	-	-	-	-	-	(2,786)	(108)
Depreciation	-	(152)	(3,244)	(179)	(149)	(512)	(38)	(93)	-	(4,473)
Carrying amount at 30 June	8,450	6,850	27,232	1,081	269	769	162	195	2,472	48,261

All items of property, plant and equipment are held by the parent company.

Notes to the Financial Statements

C5 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 2019 by Mr R.A van Raay FAPI, CPV, FRICS, CVS, MAICD, Grad Cert (EI) of Assured Valuations.

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 on a market value basis. The cost approach to fair value was applied using level 3 inputs due to the age profile of the bus fleet. Level 3 unobservable inputs used to value the assets included reference to historical information, discussions with Metro fleet representatives, reference to current supply contracts and valuers experience.

The future depreciation profile is based on a diminishing value method incorporating a 25 year life for Rigid buses and 30 year life for Articulated buses with a 2.5% residual value.

An independent fair value valuation of land and buildings was performed as at 30 June 2018 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 7.75% which was based on the analysis of sales.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair Value as at 30 June 2019 \$'000
Buses	-	-	35,315	35,315
Land and buildings	-	15,128	-	15,128

Accounting Policy

Transfers in and out of the fair value hierarchy levels are recognised at the end of the reporting period. As at 30 June 2019 Buses were classified as Level 3 in the fair value hierarchy as a result of revaluation performed. The revaluation was based upon a cost approach for fair value due to the information available for the profile of the bus fleet held by Metro.

Transfers from Level 2 to Level 3

	2019 \$'000	2018 \$'000
Buses	35,315	-

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:

	2019 \$'000	2018 \$'000
Buses	34,291	21,512
Land and buildings	4,077	7,594

Notes to the Financial Statements

C6 INTANGIBLE ASSETS

Accounting Policy

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

	2019 \$'000	2018 \$'000
(a) Carrying amounts		
Computer software		
At cost	1 307	1 324
Less: accumulated amortisation	(994)	(1,151)
Total	313	173
Total intangibles	313	173
(b) Reconciliation of movements in carrying amounts		
Carrying amount at 1 July	173	239
Additions- other development	246	61
Disposals	-	-
Amortisation	(106)	(127)
Carrying amount at 30 June	313	173

C7 TRADE AND OTHER PAYABLES

Accounting Policy

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 at amortised cost and based on the agreed purchase/ contract cost. The amounts are unsecured and are usually paid within 30 days of recognition.

	2019 \$'000	2018 \$'000
Trade creditors and accruals	7,032	5,299
	7,032	5,299

C8 OTHER CURRENT LIABILITIES

Accounting Policy

Revenue received in advance represents income received for work that is yet to be performed by Metro. Measurement is based upon the amount received and will be recognised as revenue once it has been completed.

	2019 \$'000	2018 \$'000
Revenue received in advance	663	-
Employee benefits oncosts	442	522
	1,105	522

Notes to the Financial Statements

Section D

Employee benefits

D1 EMPLOYEE BENEFITS

Accounting Policy

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 D3.

	2019 \$'000	2018 \$'000
Current:		
Retirement benefits	1,401	1,346
Compensated benefits:		
Accrued salaries and wages	620	719
Annual leave	1,481	1,429
Long service leave	2,186	2,052
	5,688	5,546
Non-current:		
Retirement benefits	23,440	21,163
Compensated benefits:		
Long service leave	1,197	1,259
	24,637	22,422
	30,325	27,968

Notes to the Financial Statements

D2. RELATED PARTIES

Key Management Personnel compensation

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

	Director Remuneration		Executive Remuneration		Consolidated	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Short-term employee benefits	171	165	927	954	1,098	1,119
Post-employment benefits	17	13	87	87	104	100
Other long-term employee benefits	-	-	9	40	9	40
Termination Benefits	-	-	12	22	12	22
	188	178	1,035	1,103	1,223	1,281

For Director remuneration, Short term employment benefits includes Director fees, Committee fees and other benefits. Post employment benefits represents superannuation contributions.

For Executive remuneration, Short term employment benefits includes Base salary, Short term incentive payments, vehicles and other benefits. Post employment benefits represents superannuation contributions.

(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:

2019 Director Remuneration¹

Name	Position	Period	Directors' Fees \$'000	Committee Fees \$'000	Superannuation ² \$'000	Other benefits ³ \$'000	Total \$'000
Non-Executive Directors							
Mr Michael Harris	Chair	To 30/01/2019	33	-	3	-	36
Mr Tim Gardner	Deputy Chair/Chair	Full term	38	-	4	-	42
Ms Yvonne Rundle	Director	From 05/12/2018	15	-	1	2	18
Ms Susan Fahey	Director	Full term	27	-	3	1	31
Ms Jude Munro	Director	Full term	27	-	3	-	30
Mr Nick Burrows	Director	Full term	27	-	3	1	31
Total			167	-	17	4	188

2018 Director Remuneration¹

Name	Position	Period	Directors' Fees \$'000	Committee Fees \$'000	Superannuation ² \$'000	Other benefits ³ \$'000	Total \$'000
Non-Executive Directors							
Mr Michael Harris	Chair	Full term	54	-	5	2	61
Mr Tim Gardner	Deputy Chair	Full term	27	-	2	-	29
Ms Susan Fahey	Director	Full term	27	-	2	-	29
Ms Jude Munro	Director	Full term	27	-	2	-	29
Mr Nick Burrows	Director	Full term	27	-	2	1	30
Total			162	-	13	3	178

Board remuneration notes and statements

¹ Amounts are all forms of consideration paid, payable or provided by the entity, i.e., disclosure is made on an accruals basis as at 30 June.

² Superannuation means the contribution to the superannuation fund of the individual.

³ Other benefits includes travel allowances.

Notes to the Financial Statements

D2 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:

2019 Executive Remuneration

Name	Position	Period	Base Salary ¹ \$'000	Short term incentive payments ² \$'000	Superannuation ³ \$'000	Vehicles ⁴ \$'000	Other Benefits ⁵ \$'000	Other Non-Monetary Benefits ⁷ \$'000	Total Remuneration Package \$'000	Termination Benefits ⁶ \$'000	Other Long Term Benefits ⁹ \$'000	Totals \$'000
Ms Megan Morse	Chief Executive Officer	Full year	257	6	25	-	-	-	288	-	26	314
Mrs Anita Robertson	Chief Financial Officer	Full year	166	13	17	23	-	-	219	-	(1)	218
Mr Ian Ward	General Manager Operations	Full year	176	10	18	-	-	-	204	-	(14)	190
Mrs Stacey Hogarth	General Manager People and Safety	To 23/11/2018	66	-	7	-	-	-	73	12	(17)	68
Mr Paul Passmore	General Manager People and Safety	From 25/03/2019	40	-	4	-	-	-	44	-	4	48
Mr Chris Breen	General Manager Business Improvement Services	From 05/11/2018	89	12	10	-	-	-	111	-	3	114
Mr Darren Carey	General Manager Operations	From 03/06/2019	11	-	1	-	-	-	12	-	3	15
Sub-total Acting arrangements			805	41	82	23	-	-	951	12	4	967
Mr Chris Breen	Acting General Manager Business Improvement Services	To 04/11/2018	46	-	4	-	-	-	50	-	4	54
Mr Damien Arkley	Acting General Manager Operations	06/05/2019 to 04/06/2019	12	-	1	-	-	-	13	-	1	14
Sub-total			58	-	5	-	-	-	63	-	5	68
Total			863	41	87	23	-	-	1,014	12	9	1,035

Notes to the Financial Statements

D2 RELATED PARTIES (continued)

(b) Executive Remuneration (Continued)

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

2018 Executive Remuneration

Name	Position	Period	Base Salary ¹ \$'000	Short term incentive payments ² \$'000	Superannuation ³ \$'000	Vehicles ⁴ \$'000	Other Benefits ⁵ \$'000	Other Non-Monetary Benefits ⁷ \$'000	Total Remuneration Package \$'000	Termination Benefits ⁶ \$'000	Other Long Term Benefits ⁸ \$'000	Totals \$'000
Ms Megan Morse	Chief Executive Officer	From 29/09/2017	185	21	20	-	-	-	226	-	19	245
Mrs Anita Robertson	Chief Financial Officer	Full year	163	16	17	22	-	-	218	-	12	230
Mr Alan Pedley	Chief Operating Officer	To 10/08/2017	21	(7)	2	2	-	-	18	22	(38)	2
Mr Ian Ward	General Manager Operations	Full year	162	13	17	-	-	-	192	-	16	208
Mrs Stacey Hogarth	General Manager People and Safety	Full year	138	12	15	24	8	-	197	-	5	202
Sub-total			669	55	71	48	8	-	851	22	14	887
Acting arrangements												
Ms Megan Morse	Acting Chief Executive Officer	01/07/2017 to 28/09/2017	67	-	6	-	-	-	73	-	22	95
Mr Damien Arkley	Acting Chief Operating Officer	14/08/2017 to 23/12/2017	52	-	5	5	-	-	62	-	1	63
Mr Chris Breen	Acting General Manager Business Improvement Services	6/02/2018 to 30/06/2018	50	-	5	-	-	-	55	-	3	58
Sub-total			169	-	16	5	-	-	190	-	26	216
Total			838	55	87	53	8	-	1,041	22	40	1,103

Executive Remuneration Notes and Statements

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.

³ Superannuation means the contribution to the superannuation fund of the individual.

⁴ 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.

⁵ 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.

⁶ Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

⁷ Other non-monetary benefits include non-monetary benefits (such as housing, subsidised goods or services etc.).

⁸ Other long-term benefits include annual and long service leave movements.

Notes to the Financial Statements

D2 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 July 2018. 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 three months prior to termination of the contract.

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

Short term incentive payments

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

Short term incentive payments awarded during the current year included:

- Ms Morse was entitled to a cash bonus of \$13,255 for better than budget financial performance and reaching individual corporate plan targets for the year and paid in accordance with Director and Executive Remuneration guidelines.
- Mrs Robertson was entitled to a cash bonus of \$12,651 for better than budget financial performance and reaching individual corporate plan targets for the year and paid in accordance with Director and Executive Remuneration guidelines.
- Mr Ward was entitled to a cash bonus of \$10,445 for better than budget financial performance and reaching individual corporate plan targets for the year and paid in accordance with Director and Executive Remuneration guidelines.
- Mr Breen was entitled to a cash bonus of \$11,515 for better than budget financial performance and reaching individual corporate plan targets for the year and paid in accordance with Director and Executive Remuneration guidelines.

Termination benefits

Termination payments during the current year included:

- Mrs Hogarth ceased employment effective 23 November 2018 and was paid \$11,751 representing the balance of her accrued annual leave.

Acting Arrangements

When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence.

Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month.

In the current year, Mr Breen and Mr Arkley were appointed to the above positions for the periods shown, whilst the positions were vacant.

Notes to the Financial Statements

D2 RELATED PARTIES (continued)

(c) Remuneration Principles (continued)

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.

Controlling Entities

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.

D3 SUPERANNUATION AND DEFINED BENEFITS

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 2019 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

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.

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 over the long term.
- 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

There were no Scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.

Notes to the Financial Statements

D3. SUPERANNUATION AND DEFINED BENEFITS (continued)

Reconciliation of the Net Defined Benefit Liability/(Asset)

As at	2019 \$'000	2018 \$'000
Net defined benefit liability/(asset) at start of year	22,509	23,027
(+) Current service cost	312	281
(+) Past service cost/curtailments	-	-
(+) Gain/loss on settlements	-	-
(+) Net interest	937	976
(-) Actuarial return on plan assets less interest income	(117)	238
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
(+) Actuarial (gains)/losses arising from changes in financial assumptions	3,428	153
(+) Actuarial (gains)/losses arising from liability experience	(1,394)	(533)
(+) Adjustment for effect of asset ceiling	-	-
(-) Employer contributions	1,068	1,156
Net defined benefit liability/(asset)	24,841	22,509
Current net liability	1,401	1,346
Non-current net liability	23,440	21,163

Reconciliation of the Fair Value of Scheme Assets

Financial year ending	2019 \$'000	2018 \$'000
Fair value of plan assets at beginning of the year	5,712	5,599
(+) Interest income	238	237
(+) Actual return on plan assets less Interest income	(117)	238
(+) Employer contributions	1,068	1,156
(+) Contributions by plan participants	145	130
(-) Benefits paid	1,447	1,646
(-) Taxes, premiums & expenses paid	1	1
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Fair value of plan assets at end of the year	5,598	5,712

Notes to the Financial Statements

D3. SUPERANNUATION AND DEFINED BENEFITS (continued)

Reconciliation of the Defined Benefit Obligation

Financial year ending	2019	2018
	\$'000	\$'000
Present value of defined benefit obligations at beginning of the year	28,221	28,626
(+) Current service cost	312	281
(+) Past service cost/curtailments	-	-
(+) Gain/loss on settlements	-	-
(+) Interest cost	1,175	1,212
(+) Contributions by plan participants	145	130
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
(+) Actuarial (gains)/losses arising from changes in financial assumptions	3,428	153
(+) Actuarial (gains)/losses arising from liability experience	(1,394)	(533)
(-) Benefits paid	1,447	1,646
(-) Taxes, premiums & expenses paid	1	1
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Present value of defined benefit obligations at end of the year	30,439	28,221

Reconciliation of the Effect of the Asset Ceiling

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

Fair value of Scheme assets

Asset category	As at 30 June 2019 [^]			
	Total (\$'000s)	Quoted prices in active markets for identical assets - Level 1 (\$'000s)	Significant observable inputs - Level 2 (\$'000s)	Unobservable inputs - Level 3 (\$'000s)
Cash deposits	246	84	162	-
Australian equities	941	941	-	-
International equities	1,126	867	259	-
Infrastructure	761	235	526	-
Diversified fixed interest	1,248	-	1,248	-
Property	879	-	879	-
Alternative investments	397	-	397	-
Total	5,598	2,127	3,471	-

[^]Estimated based on assets allocated to Metro as at 30 June 2019 and asset allocation of the RBF Scheme as at 30 June 2019

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.

Fair value of Entities Own Financial Instruments

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.

Notes to the Financial Statements

D3. SUPERANNUATION AND DEFINED BENEFITS (continued)

Fair value of Scheme assets (continued)

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 1.80%, 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

Financial year ending	2019	2018
Assumptions to Determine Defined Benefit Cost and Start of Year DBO		
Discount rate (active members)	4.30%	4.35%
Discount rate (pensioners)	4.30%	4.35%
Expected rate of increase of compulsory preserved amounts	3.00%	3.00%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.50%	2.50%
Assumptions to Determine Year End DBO		
Discount rate (active members)	3.25%	4.30%
Discount rate (pensioners)	3.25%	4.30%
Expected rate of increase of compulsory preserved amounts	3.00%	3.00%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.50%	2.50%

Sensitivity Analysis

The defined benefit obligation as at 30 June 2019 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	Scenario B	Scenario C	Scenario D
		-1% pa discount rate	+1% pa discount rate	-1% pa pension increase rate	+1% pa pension increase rate
Discount rate	3.25% pa	2.25% pa	4.25% pa	3.25% pa	3.25% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined benefit obligation (\$'000s)	30,439	34,443	27,159	27,456	33,999

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

Asset-Liability matching strategies

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

Funding arrangements

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

Financial year ending	2020 \$'000
Expected employer contributions	1,401

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for Metro is 11.4 years.

Notes to the Financial Statements

Section E

Financial Instruments

E1 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. Metro limits its exposure to credit risk by establishing a payment period of 30 days and as highlighted below balances are rarely past due.

Trade receivables are low risk entities, composed primarily of government agencies, entities funded by government and agents. The majority of Metro's debtors have been transacting with Metro for over 2 years.

Based on the factors noted above and a review identifying nil bad debt write offs by Metro over the past 3 years, the expected credit loss has been calculated as 0%.

There were no impairment losses on financial assets recognised in the profit and loss during the period ending 30 June 2019 or 30 June 2018.

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

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

	CONSOLIDATED							
	0 days Past due		1-30 days Past due		31-120 days Past due		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial assets:								
Receivables	549	414	11	1	37	1	597	416

Notes to the Financial Statements

E1 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;
- monitoring undrawn credit facilities; and
- a Board approved Treasury Management Procedure.

Financial liability and Financial asset maturity analysis:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-interest Bearing		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:										
Cash at bank	0.80	0.75	3,850	1,747	-	-	-	-	3,850	1,747
Call deposit at Tascorp	1.62	1.78	3,540	3,247	-	-	-	-	3,540	3,247
Call deposit at CBA	1.50	-	662	-	-	-	-	-	662	-
Term deposit at CBA	2.59	-	-	-	4,500	-	-	-	4,500	-
Term deposit at WBC	2.50	-	-	-	4,500	-	-	-	4,500	-
Term deposit at WBC	2.65	-	-	-	2,500	-	-	-	2,500	-
Term deposit at WBC	-	2.62	-	-	-	4,500	-	-	-	4,500
Term deposit at WBC	-	2.62	-	-	-	4,500	-	-	-	4,500
Term deposit at CBA	-	2.47	-	-	-	2,000	-	-	-	2,000
Term deposit at CBA	-	2.52	-	-	-	1,500	-	-	-	1,500
Term deposit at CBA	-	2.64	-	-	-	1,000	-	-	-	1,000
Term deposit at CBA	-	2.64	-	-	-	1,500	-	-	-	1,500
Term deposit at CBA	-	2.67	-	-	-	2,500	-	-	-	2,500
Term deposit at CBA	-	2.69	-	-	-	1,500	-	-	-	1,500
Term deposit at CBA	-	2.71	-	-	-	1,500	-	-	-	1,500
Term deposit at CBA	-	2.73	-	-	-	500	-	-	-	500
Receivables		-		-		-	597	416	597	416
			8,052	4,994	11,500	21,000	597	416	20,149	26,410

* All term deposits mature prior to 30 June 2020 (i.e. within 1 year)

Metro hold no interest bearing financial liabilities.

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

	2019 \$'000	2018 \$'000
Less than 6 months	7,032	5,299
6 months to 1 year	-	-
1 - 5 years	-	-
	7,032	5,299

Notes to the Financial Statements

E1 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.

Metro manages interest rate risk through a Board approved Treasury Management Procedure.

Sensitivity analysis:

At 30 June 2019, 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:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Change in profit or loss		
- Increase in interest rate by 2%	455	543
- Decrease in interest rate by 2%	(455)	(543)
Change in equity		
- Increase in interest rate by 2%	455	543
- Decrease in interest rate by 2%	(455)	(543)

The above interest rate sensitivity analysis has been performed on the average of opening and closing cash balances and 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.

The change in classification of financial assets to measured at amortised cost did not impact the valuation the financial assets.

(e) Financial instruments by categories

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Financial assets amortised cost:		
Cash and cash equivalents	19,552	25,994
Receivables	597	416
	20,149	26,410
Financial liabilities at amortised cost:		
Trade creditors and accruals	7,032	5,299

Notes to the Financial Statements

E1 FINANCIAL INSTRUMENTS (continued)

(e) Financial instruments by categories (continued)

The adoption of AASB 9 resulted in the following reclassifications as at 1 July 2018:

	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139 \$'000	Reclassification \$'000	Remeasurement \$'000	Carrying amount under AASB 9 \$'000
Financial assets amortised cost:						
Cash and cash equivalents	Loans and receivables	Amortised Cost	25,994	-	-	25,994
Receivables	Loans and receivables	Amortised Cost	416	-	-	416
			26,410	-	-	26,410

(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

Section F

Other information

F1 CONTRIBUTED EQUITY

	2019 \$'000	2018 \$'000
Balance at beginning of financial year	37,503	33,003
Equity contribution	4,500	4,500
Balance at end of financial year	42,003	37,503

F2 ASSET REVALUATION RESERVES

2019	CONSOLIDATED		
	Land and buildings \$'000	Buses \$'000	Total \$'000
Balance at beginning of financial year	5,876	8,470	14,346
Revaluation increments/(decrements)	-	(2,992)	(2,992)
Impairment losses	-	-	-
Disposal of revalued buses	-	(819)	(819)
Deferred tax asset/(liability)	-	-	-
Balance at end of financial year	5,876	4,659	10,535

2018	CONSOLIDATED		
	Land and buildings \$'000	Buses \$'000	Total \$'000
Balance at beginning of financial year	3,973	8,778	12,751
Revaluation increments/(decrements)	1,903	-	1,903
Impairment losses	-	(283)	(283)
Disposal of revalued buses	-	(25)	(25)
Deferred tax asset/(liability)	-	-	-
Balance at end of financial year	5,876	8,470	14,346

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.

F3 RETAINED PROFITS

	2019 \$'000	2018 \$'000
Balance at beginning of financial year	(606)	505
Net profit/(loss)	(1,671)	(1,357)
Revaluation increments (decrements) attributable to assets disposed of during the year	819	25
Defined benefit plan actuarial gains/(losses)	(2,151)	618
Related income tax	1,543	(397)
Balance at end of financial year	(2,066)	(606)

Notes to the Financial Statements

F4 REMUNERATION OF AUDITORS

	2019 \$'000	2018 \$'000
External audit services	57	56
	57	56

The Company paid \$56,670 to the Tasmanian Audit Office for the audit of the consolidated financial statements.

F5 COMMITMENTS FOR EXPENDITURE

	2019 \$'000	2018 \$'000
<i>Capital commitments:</i>		
Payments within 1 year	16,267	15,423
Payments 1-5 years	10,755	26,920
	27,022	42,343
<i>Operating lease commitments:</i>		
Payments within 1 year	214	173
Payments 1-5 years	160	258
	374	431

F6 OTHER ACCOUNTING POLICIES

(a) 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.

(b) 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.

(c) Goods and Services Tax

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.

F7 SUBSEQUENT EVENTS

At the time of signing these financial statements there have been no material subsequent events.

Notes to the Financial Statements

F8 CONTINGENT LIABILITIES

After due investigation Metro has identified no material contingent liabilities.

F9 ECONOMIC DEPENDENCY

A significant volume of Metro's operations is performed under contract to the State Government. Metro's current service contract with Department of State Growth (DSG) expired 31 December 2018, and contract extensions have been negotiated to 18 January 2020.

In addition to this Metro received an additional \$4.5 million as an equity contribution (2018 \$4.5 million) to be used to fund Metro's bus replacement program over the next 2 years.

Metro will receive funding of \$4.5 million per annum over the 2019–20 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.

F10 CONTROLLED ENTITY

	Country of incorporation	Equity interest	
		2019	2018
Parent entity:			
Metro Tasmania Pty Ltd	Australia	-	-
Controlled entity:			
Metro Coaches (Tas) Pty Ltd	Australia	100%	100%

