



ANNUAL REPORT 2019-20

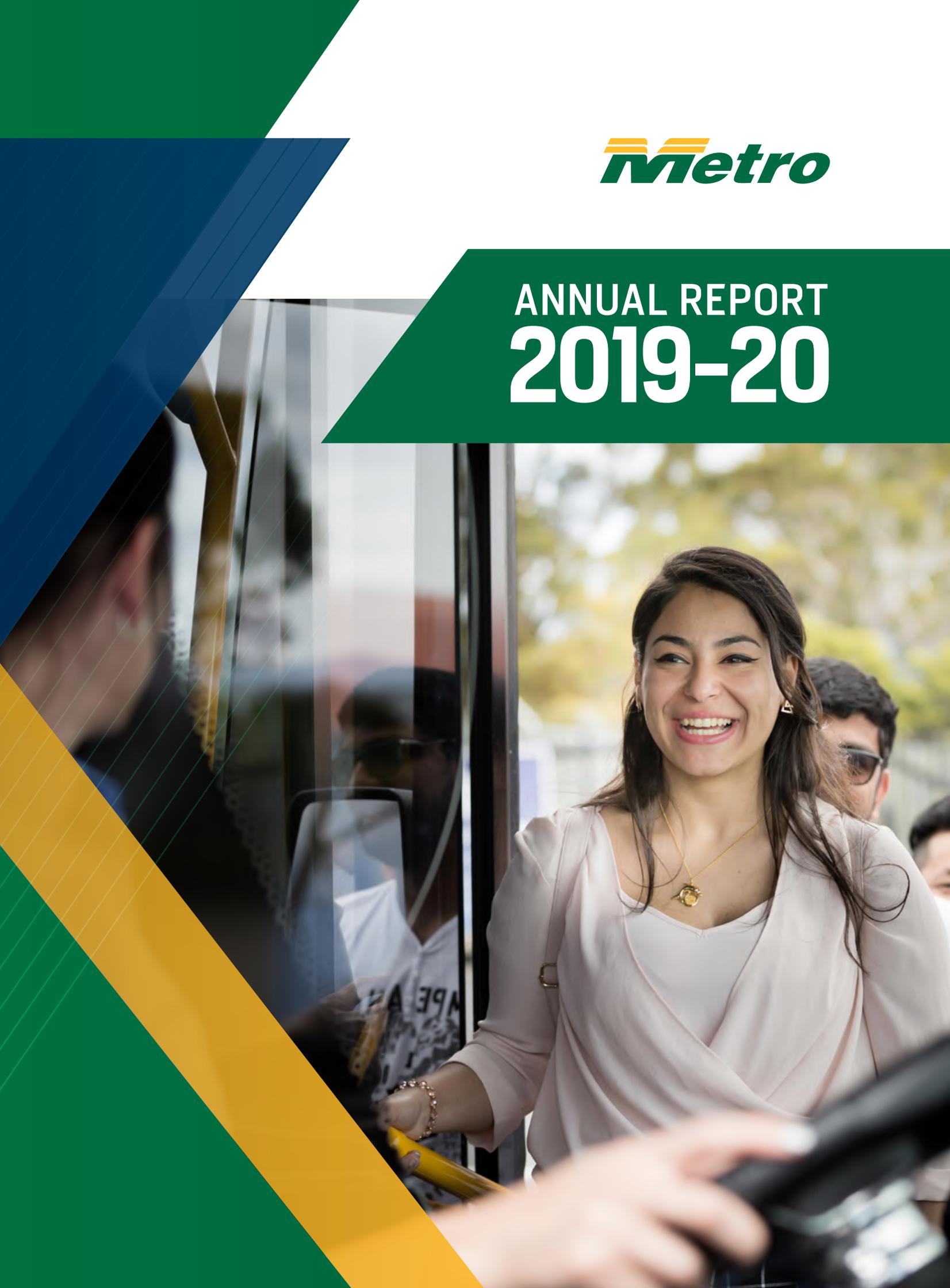


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Nature of Business

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

Tim Gardner (Chair)
Yvonne Rundle (Deputy Chair)
Susan Fahey
Jude Munro
Greg Wallace (from 9 August 2019)
Nick Burrows (until 28 November 2019)

Shareholders

Minister for Infrastructure and Transport
Michael Ferguson

Treasurer
Peter Gutwein

Executive Managers

Megan Morse Chief Executive Officer
(until 22 May 2020)
Darren Carey Acting Chief Executive Officer
(from 23 March 2020)
Anita Robertson Chief Financial Officer
(until 10 April 2020)
Jesse Penfold Acting Chief Financial Officer
(from 10 February 2020)
Ian Ward General Manager Operations
(until 12 July 2019)
Darren Carey General Manager Operations
(until 23 March 2020)
Paul Passmore General Manager People and Safety
Acting General Manager Operations
(from 23 March 2020)
Chris Breen General Manager Business Improvement
Kim Perkins Executive Projects Manager
(from 12 August 2019)

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.

We deliver bus 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 five 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 connect people and communities in Tasmania

Our Goals

Goal 1 Focus on our customers

Goal 2 Operate a financially sustainable business

Goal 3 Provide attractive transport solutions

Goal 4 Foster our people and our culture

Goal 5 Strengthen our stakeholder relationships

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



Darren Carey
Acting Chief Executive Officer

MESSAGE FROM THE CHAIR AND ACTING CHIEF EXECUTIVE OFFICER

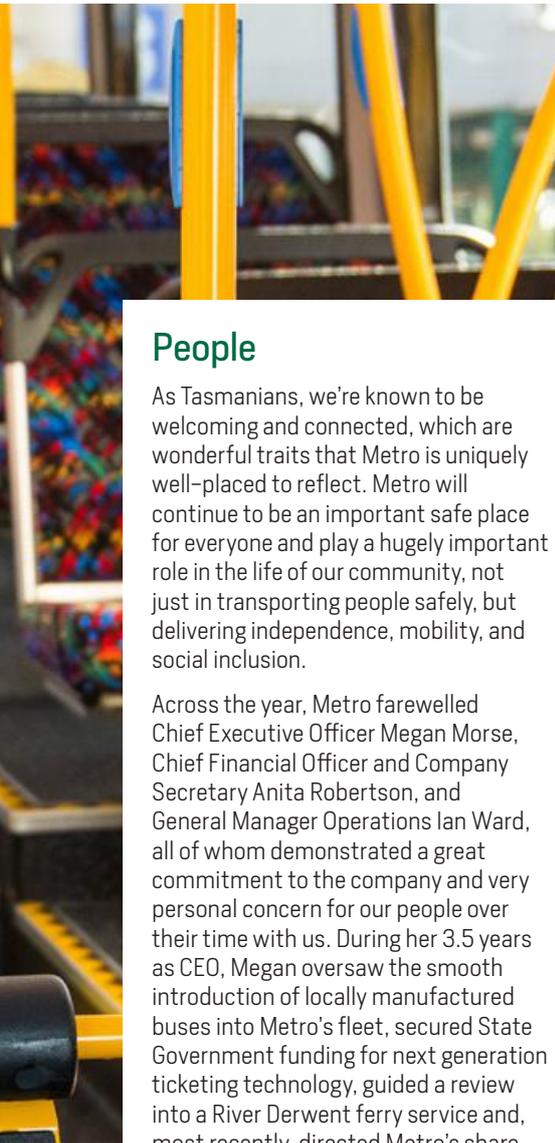
First and foremost, we extend our deepest gratitude to the hundreds of Metro employees that have demonstrated care and commitment to the communities we serve throughout the year. We travel thousands of kilometres, often in adverse weather conditions and through unpredictable traffic, to deliver customers safely to their destinations, and in doing so, generously maintain the spirit of our profession in a manner that touches many lives.

The COVID-19 crisis impacted us all in lots of different ways and we have needed to adjust, both as a business and individuals. While we were fortunate to have no infection in our workforce, it's also testament to the strong health and safety focus we have maintained across the period, and the flexibility with which we've approached new challenges and processes.

What we have collectively achieved so far is remarkable, and we're confident in our capacity to manage more change as our operating environment continues to evolve. The wellbeing of Metro staff and passengers is our priority and we will continue to provide Tasmanians a safe, reliable, and attractive transport choice.

At the peak of the pandemic, traffic in Hobart was down 32%, emphasising how much flexible working arrangements can influence congestion. As something Metro has long advocated for, it's been gratifying to see growing acknowledgement that managing peak demand more effectively is a huge part of the traffic solution, and a financially viable alternative to car-based infrastructure investment.

We're optimistic that a silver lining in the dark cloud of COVID-19 – albeit one that may take some time to realise – will be more open minds and creativity when approaching historical challenges like traffic, and we're pleased to see more decision makers and people of influence getting on board with this kind of action.



'Together, we're keeping Tasmania moving and connecting people to essential services and jobs. We know the community acknowledges and appreciates this hard work, as do we...'

People

As Tasmanians, we're known to be welcoming and connected, which are wonderful traits that Metro is uniquely well-placed to reflect. Metro will continue to be an important safe place for everyone and play a hugely important role in the life of our community, not just in transporting people safely, but delivering independence, mobility, and social inclusion.

Across the year, Metro farewelled Chief Executive Officer Megan Morse, Chief Financial Officer and Company Secretary Anita Robertson, and General Manager Operations Ian Ward, all of whom demonstrated a great commitment to the company and very personal concern for our people over their time with us. During her 3.5 years as CEO, Megan oversaw the smooth introduction of locally manufactured buses into Metro's fleet, secured State Government funding for next generation ticketing technology, guided a review into a River Derwent ferry service and, most recently, directed Metro's share of the Launceston Network Review.

Commensurate with their respective 19 and 40 year tenures, Anita and Ian made a significant contribution to Metro both individually and through their leadership of the Finance and Governance and Operations services, and participation on our Executive team. On behalf of the Metro Board and employees, we wish Megan, Anita and Ian the very best for future and thank them for their leadership.

Every Tasmanian's story is unique, but many of us – as individuals, and as communities – can tell tales of success despite adversity, achieved through quiet persistence and extraordinary optimism. While we all face challenges – some smaller, some larger – we are a State of aspiration and inclusion, and, as a provider that's deeply connected to the people we serve, Metro both typifies and continues to strengthen this legacy.

We're immensely proud of the way everyone across the business pulled together to make Metro a company we can all be proud of this year, particularly during the unprecedented challenges of COVID-19 on our industry.

Together, we're keeping Tasmania moving and connecting people to essential services and jobs. We know the community acknowledges and appreciates this hard work, as do we – on behalf of the Board and the Executive, we thank each and every team member for their dedication and grace shown under enormous pressure.

Changes to Northern Bus Services

We were excited to play our part in implementing a new Launceston bus network in January, which represented a huge undertaking across the Launceston team, with support from Hobart-based colleagues. We congratulate all involved in implementing the service alterations smoothly and professionally.

While it's certainly the biggest change Launceston has experienced in a long time, we believe the new network offers a more reliable, accessible, and convenient service, and will encourage more people to get on board, as has been the case in Hobart since a network shaped by similar design principles was introduced four years ago.

We're already seeing wonderful results in terms of attracting people to either try public transport for the first time, or ride with us more frequently. In the first eight months of 2019-20 (prior to the COVID-19 pandemic), full-fare adult patronage increased across Metro's networks by 8.3%, and Hobart services saw total patronage increase by 3.2%, compared with the same period in the previous year.

Changes to North West Bus Services

In February the Department of State Growth published its report on community consultation for changes to bus services on the North West Coast, a process Metro participated in as a stakeholder. The Department confirmed that changes in the region were on a pathway to implementation in mid-2020, however, this timeline has since been interrupted by COVID-19.

With timetable and route adjustment comes a suite of infrastructure changes and upgrades, which we continue to prepare for, understanding how meaningful this work will be in some corners of the network once an updated implementation date can be announced.

Financial Performance

Metro is committed to operating a fiscally responsible business that meets the needs of the community. In the 2019-20 year Metro recorded a loss of \$5.1m before tax and \$3.5m after tax. While a loss of \$2.8m was budgeted and expected due to reclassification of capital funding from revenue to equity, loss of fare revenue due to the COVID-19 pandemic caused significant further impact.

During the reporting year the Department of State Growth provided \$41.6m under service contracts to Metro to operate bus services in Hobart, Launceston and Burnie. As a result of dramatically reduced patronage during the pandemic and a fare amnesty from 26 March to 5 July, full year ticketing income decreased by 24.5% from 2018-19 to \$10.2m, equating to 19% of Metro's income.

Major expenses continue to be employee wages and salaries, fuel, and fleet maintenance. In addition, the unprecedented global pandemic increased operational costs and resulted in additional, unexpected expenses such as twice daily bus sanitisation.

OUR PERFORMANCE



Boardings made with Greencard in 2019-20

85%*

**excludes March - June 2020 fare amnesty period*

Passenger Levels

During 2019-20 there were 7.34 million passenger journeys, a decrease of 13.6% on the previous year after adjusting for the different number of day types (school term, holidays, and weekends).



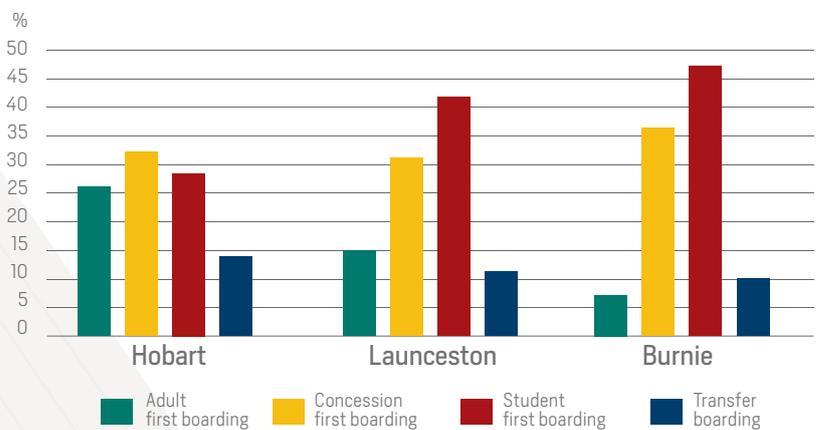
7.34 million
passenger journeys

Figure 1: Passenger Boardings

80% Hobart **16%** Launceston **4%** Burnie

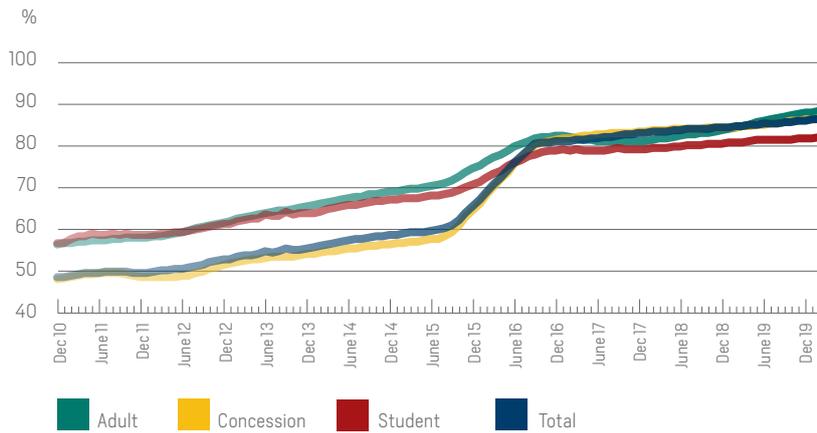


Figure 2: Boardings by Passenger Type



**During the fare amnesty period, Metro's Bus Operators estimated adult and concession boarding types*

Figure 3: Usage of Greencard Since Implementation



*March – June 2020 data not applicable (fare amnesty period)

Service Initiatives

Renewed Launceston Network

In conjunction with the Department of State Growth, Metro launched a new Launceston network in January 2020. The new network delivers service improvements on major corridors including increased frequency of the northern Turn Up and Go service (now operating every 10 minutes on weekdays) and expanding high-frequency services to southern suburbs at a 15 minute frequency. A new cross-town route was introduced between Mowbray and Kings Meadows, enabling passengers to travel between northern and southern suburbs without changing services in the city.

Launceston Tiger Bus

Metro has operated the City of Launceston's Free Tiger Bus service for the past 10 years. A new Tiger Bus stop was added in August 2019 at the redeveloped C.H. Smith Building.

Special Event Services

Metro provides services for special events which help to reduce traffic and provide event attendees with a convenient and safe alternative to private vehicles.

Metro was contracted to provide free bus services for major sporting events at Blundstone Arena, Bellerive and to safely transport participants from the top of Mt Wellington at the conclusion of the Point to Pinnacle run in Hobart.

In partnership with MAIB, Metro operated Nightrider services in Hobart, Launceston and Burnie on New Year's Eve.

Free Before 7am Initiative

Metro provided free travel on all urban Hobart services prior to 7am during the return to school period in January and February 2020. The aim of the initiative is to raise awareness of the likely increase in traffic during this period and encourage commuters to adjust their time of travel to provide more capacity on Metro's services during the 7:30am to 8:45am peak travel period. Full-on-route reports have reduced by 56% since the start of this initiative in 2016.

More Greencard Agents

Metro significantly increased the number of Greencard agents to encourage more Metro customers to obtain and use a Greencard. New outlets were established in Glenorchy, South Arm, Rokeby,

Snug, Sandy Bay, Launceston City and Ravenswood. Further additional agencies are planned for Bridgewater, Burnie, Ulverstone and Wynyard. All Greencard agents are now able to issue concession and student cards in addition to adult cards.

Fleet Renewal and Accessible Services

Metro's Accelerated Bus Replacement Program saw the introduction of a further 35 new XDi buses, built in Tasmania through a joint venture between Bustech and Elphinstone. The final 26 vehicles are scheduled for delivery by April 2021.

The Disability Standards for Accessible Public Transport (DSAPT) currently require 80% of general access services to be provided by accessible buses. Through its fleet renewal program, Metro has achieved fully compliant fleets in both its Launceston and Burnie networks. As at June 2020, the Hobart network is delivering 86.5% of general access services with compliant vehicles, and is expected to be fully compliant well ahead of the DSAPT 100% compliance date of 31 December 2022.



223
buses in fleet



100%
with CCTV



75%
with air conditioning



87%
accessible services



86%
DDA compliant

General access services delivered with low floor accessible buses

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



Workforce Development

Metro has made a strong commitment to continuous improvement both in new provisions set out in industrial agreements negotiated during the year and by investing in learning and development.

During 2019–20 employees from across every department and level of Metro participated in three Lean development programs designed to build continuous improvement capability in order to maximise value and minimise waste.

The program draws on very practical methods to enhance service delivery, whilst reinforcing the importance of collaborative teamwork across all areas.

This keystone investment was supplemented by a range of other training programs and conferences focused on topics including sector specific issues, safety, security, first aid, finance and leadership development.

During 2019–20 Metro continued to work on building a more inclusive workforce that better reflects the diversity of our broader community.

Initial training for newly recruited Bus Operators encompassed safe heavy vehicle driving, customer service and conflict management training. Metro also conducted needs-based refresher training for existing Bus Operators, including piloting a professional driver coaching program which harnesses CCTV to provide focussed additional support for Bus Operators.

Four apprentices undertook a Certificate III Heavy Commercial Vehicle Mechanical Technology via Metro’s apprenticeship partner during the year.

Figure 4: Employees Recruited



62 Bus Operators

12 Salaried Employees

Safety and Security

Metro closely monitored progress against safety and security measures and actively prosecuted specific initiatives, including:

- Constructing a detailed Metro job dictionary in partnership with an occupational therapist, to provide a granular understanding of the physical and mental requirements of the Bus Operator role. The job dictionary helps ensure adequate pre-employment medicals and provides detailed assistance to medical practitioners in making fitness for duty and returning to work assessments
- Engaging WHSE Committees and internal stakeholders in developing an up to date risk assessment and risk control strategies targeting the primary causes of Bus Operator injuries
- Actively managing the response to incidents with a view to better supporting injured employees.

These measures underpinned a turnaround in the previous upward trend observed in Metro's Lost Time Injury Frequency Rate (LTIFR).

Metro continued to fund a dedicated Tasmania Police resource to support a safe and secure travel environment. CCTV cameras and recorders are fitted to all buses state-wide, including each new XDi bus entering the fleet. This technology continues to be invaluable to Metro and Tasmania Police in effective incident investigation.

Figure 5: Employment Profile

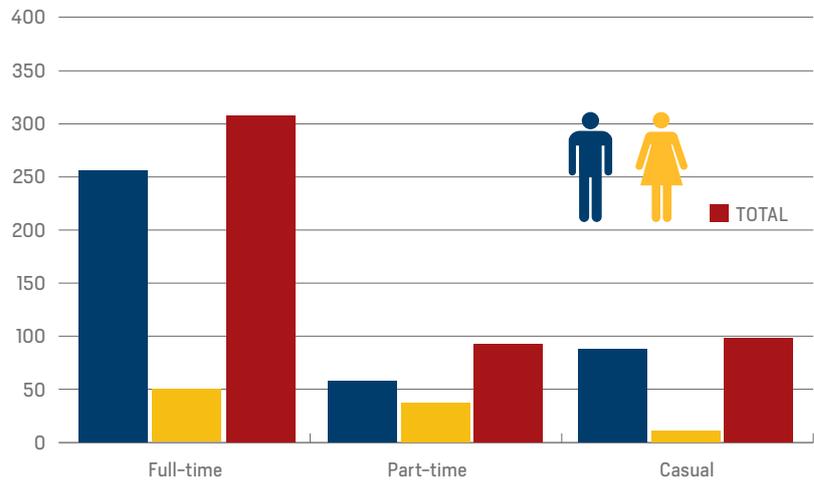


Figure 6: Employee Age Profile

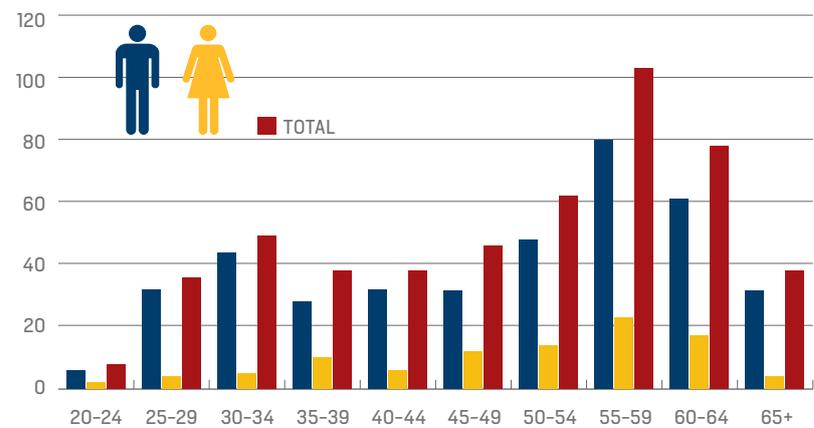
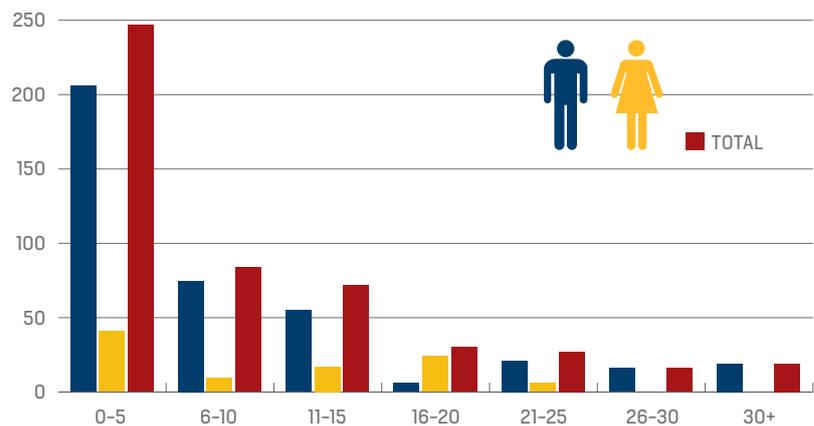


Figure 7: Years of Service



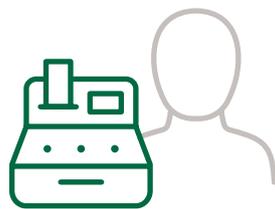
OUR CUSTOMERS



Metro communicates with its 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. Unfortunately COVID-19 disruption prevented our annual Customer Satisfaction Survey from taking place in May 2020. In 2018-19, the most recent research found 76% of respondents were satisfied with Metro services overall.

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.



8869*

**Average Monthly Visits
to the Metro Shop**

**affected by the COVID-19 pandemic*



1.6 million

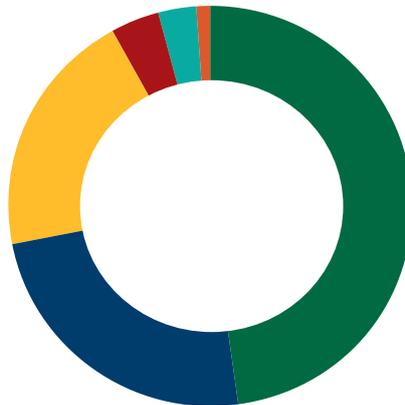
Website Visits



Figure 8: Breakdown of Complaints



1 million
Journeys Planned Using Online
Trip Planner



- 48% Service reliability
- 24% Driving
- 20% Customer service
- 4% Health and safety
- 3% Other
- 1% Passenger behaviour

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 and State President of the Australian Water Association. He is a graduate of the Australian Institute of Company Directors and a Companion of Engineers Australia. In April 2020 Tim joined the Tasmanian Premier's Economic and Social Recovery Advisory Council, to provide advice to the Government on strategies and initiatives to support the short to medium, and the longer term recovery from the COVID-19 pandemic.



Yvonne Rundle (Deputy Chair)

Ms Yvonne Rundle was appointed Director on 5 December 2018 and Deputy Chair on 28 November 2019. She is a Director and the 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 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.



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.



Jude Munro AO

Ms Jude Munro was appointed Director on 19 December 2016. She is also Deputy Chair 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.



Greg Wallace

Greg was appointed Director on 9 August 2019. Experienced in marketing, digital transformation, ticketing and customer services, Greg has been a Non-Executive Director of Learning Links since October 2012, and was appointed Chair in November 2015. He is a Director of UltraMarketing Pty Ltd, a graduate of the Australian Institute of Company Directors and is currently undertaking an MBA.



The Directors of Metro Tasmania Pty Ltd present the annual financial report for the year ended 30 June 2020.

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 2020 the company incurred a loss before income tax of \$5.07 million (2019: loss of \$2.39 million) and an after tax loss of \$3.55 million (2019: loss of \$1.67 million). A detailed review of operations is contained in the Message from the Chair and Acting Chief Executive Officer on page 5.

Dividends

The Directors do not recommend payment of a dividend this year. No dividend was paid for the year ended 30 June 2019.

Changes in State of Affairs

Other than the impact of COVID-19 as disclosed separately, 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 has received \$31 million in equity contributions to fund the Accelerated Bus Replacement Program with the final funding allocation received in 2019-20. Metro will receive the final bus under this program in 2020-21. The 2019-20 Budget and Forward Estimates allocated \$7.5 million to fund an integrated ticketing system project. As at 30 June 2020, \$0.1 million has been received and expended by Metro. Metro expects to progress this project in the 2020-21 financial year.

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 2019-20 year.

Financial Impact of COVID-19

COVID-19 had an unprecedented impact on Metro's operations and resultant patronage and fare revenue. COVID-19 caused patronage to decline by as much as 77% in mid-April 2020 and Metro forewent approximately \$4 million in fare revenue due to a fare amnesty being in place from March to July 2020. Metro

estimates that whilst patronage will improve in future years, it will be a gradual recovery with a protracted impact on fare revenue. COVID-19 has also led to Metro experiencing a reduced number of charters and a decline in advertising revenue.

Additional costs were also incurred as a result of COVID-19. This included the costs for personal protective equipment and the increased cleaning and sanitisation spending that have now become ongoing. Additional capital spending is also required as part of establishing a COVID-19 safe workplace. This will include the installation of protective screens throughout the bus fleet.

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 12. 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 was a member of Metro's Audit and Risk Committee. *Current term: 22 December 2015 – 28 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: 28 November 2019 – 27 November 2022*

Ms Susan Fahey

Ms Fahey was appointed in December 2016 and is a member of Metro's Audit and Risk Committee. *Current term: 28 November 2019 – 27 November 2022*

Ms Yvonne Rundle

Ms Rundle was appointed in December 2019 and is a member of Metro's Audit and Risk Committee. *Current term: 5 December 2018 – 30 November 2021*

Mr Greg Wallace

Mr Wallace was appointed in August 2019. Mr Wallace is a member of Metro's Audit and Risk Committee and People and Culture Committee. *Current term: 9 August 2019 – 30 November 2020.*

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 2020 are:

Director	Board			
	Monthly	Additional ⁽¹⁾	Held ⁽²⁾	Attended
Tim Gardner	12	8	20	20
Nick Burrows	6	1	7	6
Jude Munro	12	8	20	19
Susan Fahey	12	8	20	19
Yvonne Rundle	12	8	20	19
Greg Wallace	10	8	18	18

⁽¹⁾ An additional eight Board meetings were held during the COVID-19 Pandemic (April to June) on a weekly / fortnightly basis and an additional two meetings were held for approvals out of the regular monthly schedule in 2019.

⁽²⁾ The number of meetings held while the Director was a member of the Board and Committees.

Director	Audit and Risk Committee	
	Held ⁽¹⁾	Attended
Tim Gardner ⁽²⁾	5	4
Nick Burrows	2	2
Susan Fahey	5	5
Yvonne Rundle	5	5
Greg Wallace	3	3

⁽¹⁾ The number of meetings held while the Director was a member of the Committee.

⁽²⁾ Mr Gardner attended Audit and Risk Committee meetings as an observer.

Director	People and Culture Committee	
	Held ⁽¹⁾	Attended
Tim Gardner	3	3
Jude Munro	3	3
Greg Wallace	3	3

⁽¹⁾ The number of meetings held while the Director was a member of the Committee.

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 18.

Rounding Off of Amounts

The company is of a kind referred to in ASIC Corporations (*Rounding in Financials/Directors' Reports*) Instrument 2016/191, and in accordance with that Instrument, 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 Chair
6 August 2020

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 five independent non-executive Directors, whose qualifications and meeting attendances are outlined on pages 12 and 14. 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 compliant with the Government's policy of gender equity.

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 last 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 12, 13 and 14. 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 Procedure, Whistleblower 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 13 and 14.

The Committee reviews the annual financial statements and recommends them to the Board for consideration. As part of the end-of-year processes, the Acting CEO and Acting 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 16.

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 13 and 14. Metro's Risk Management Framework is approved and overseen by the Board. The Audit and Risk Committee monitors current and emerging risks and the 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 13 and 14.

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 2019. 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 one Right to Information request in 2019–20, this was dealt with via an active 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	94%
Value of purchases from Tasmanian businesses	\$44,685,860

Consultancies valued at more than \$50,000 (ex GST)				
Name of consultant	Location	Description	Period of engagement	Amount
Pitcher Partners	Victoria	Financial Services Consultancy	July 2019 to June 2020	\$83,857
Edge Legal	Tasmania	Legal	July 2019 to June 2020	\$103,008
Richard Leeder Consulting	Victoria	Ticketing Consultancy	Sept 2019 to Dec 2019	\$106,800
MRCagney	Queensland	Ferry Consultancy	Oct 2019 to Jan 2020	\$60,180
Total				\$353,845
There were 9 consultants engaged for \$50,000 or less totalling				\$101,056
Total Payments to Consultants				\$454,901

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	7,906
Number of accounts paid on time	7,650
Amounts due for payment	\$45,926,852
Amounts paid on time	\$45,422,748
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; or
- 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	2019–20 target	2019–20 actual	Status
Operating profit/(loss) before tax (\$'000)	(2,854)	(5,066)	●
Fares revenue (\$'000)	14,307	10,227	●
Total cost per service kilometre (\$)	6.49	6.33	●
% reduction in corporate overheads	0.5	0	●

Non-financial targets	2019–20 target	2019–20 actual	Status
Network effectiveness			
Patronage ('000 first boardings)	8,601	7,344	●
First boardings per service kilometre	0.94	0.80	●
% of boardings made with a Greencard	84	85*	●
Operator efficiency			
% of trips delivered	99	100	●
% of trips delivered on time	90	89	●
% of general access services delivered by DDA compliant buses	86	87	●
% of kilometres that are out of service (dead running)	17	19	●
% of rostered hours that are bus hours (under time hours)	2.5	2.1	●
Service quality			
% overall passenger satisfaction (from Customer Satisfaction Survey)	79	N/A**	●
Number of complaints per 100,000 service kilometres	17	13	●
Safety			
At fault vehicle accidents per 100,000 kilometres	3.2	2.7	●
Lost Time Injury Frequency Rate (LTIFR)	<5	19.6	●

* Excludes March – June 2020 (fare amnesty period)

** Research unable to be completed due to COVID-19.

Performance Commentary

The COVID-19 pandemic significantly affected Metro's patronage during the final quarter of the financial year. Metro continued to provide all general access services during this period. School services continued to be provided during the learning-from-home period to ensure that those students who continued to attend schools were able to do so.

The percentage of kilometres that are out of service indicator was not met as a result of the closure of a bus stationing yard and meal room at Macquarie Point, Hobart. Whilst the 2019–20 LTIFR target was not met, Metro reduced its LTIFR by 37% in the 2019–20 insurance year (ending in March).



Tasmanian
Audit Office

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6 August 2020

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 2020, 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

Leigh Franklin
Assistant Auditor-General, Financial Audit Services
Delegate of the Auditor-General

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DIRECTOR'S 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 2020 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 2020.
3. The Directors draw attention to Note A2 of the Consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolutions of the Directors:



Tim Gardner
Chair



Yvonne Rundle
Director

6 August 2020



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 2020, 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 2020 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 (including Independence Standards)* (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.

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<p>Buses, land and buildings <i>Refer to notes C5 (a),(b) and (c)</i></p> <p>The Group's bus fleet, \$45.92m, land, \$8.45m, and buildings, \$6.51m, are independently revalued every three years. In the intervening years, the Group considers whether indexation of the land and buildings carrying values are required in order to ensure that they reflect fair value at balance date.</p> <p>In determining the value of the bus fleet, land and buildings, the Group exercises significant judgement and the valuation is highly dependent on a range of assumptions and estimates. For these reasons, the valuation of the buses, land and buildings is an area requiring particular audit attention.</p> <p>Calculation of depreciation of the bus fleet 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 continued relevance of the valuations performed in 2018-19 for the bus fleet, and in 2017-18 for land and building. Testing, on a sample basis, additions and disposals throughout the year. Testing the classification of capital and maintenance costs. Assessing depreciation expenses for each class of asset. Challenging management's assessment of useful lives of buildings and the bus fleet. 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 Group had employees who were members of a defined benefit superannuation scheme. The Group's obligation under this scheme (less fair value of plan assets) was recognised in the statement of financial position and was valued at \$24.68m at 30 June 2020.</p>	<ul style="list-style-type: none"> Assessing the competence of the State actuary that performed the valuation. Evaluating information provided to the actuary. Engaging an independent expert to evaluate the reasonableness of the

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Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<p>The value of the unfunded superannuation liability and movements recognised in the financial statements are based on an annual independent valuation. This valuation is based upon a number of assumptions and the use of discount rates, all of which are subjective.</p> <p>The valuation is a key audit matter due to the complexity and level of judgement required in the calculation.</p>	<p>assumptions used by the State Actuary in determining the liability.</p> <ul style="list-style-type: none"> • Verifying the accounting treatment for changes in the value of the liability and assessing the adequacy of relevant disclosures in the financial report.

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.

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

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

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

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.



Leigh Franklin
Assistant Auditor-General, Financial Audit Services
Delegate of the Auditor-General

Tasmanian Audit Office

6 August 2020
Hobart

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Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	B4	8,492	19,552
Trade and other receivables	C1	474	597
Inventories	C2	2,212	2,511
Assets held for sale	C3	51	266
Other current assets	C4	943	978
TOTAL CURRENT ASSETS		12,172	23,904
NON-CURRENT ASSETS			
Property, plant and equipment	C5	66,527	55,607
Intangible assets	C6	245	313
Deferred tax assets	B3(d)	11,120	9,822
TOTAL NON-CURRENT ASSETS		77,892	65,742
TOTAL ASSETS		90,064	89,646
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	C7	6,380	7,032
Employee benefits	D1	5,276	5,688
Lease liabilities	C8	161	-
Other current liabilities	C9	1,004	1,105
TOTAL CURRENT LIABILITIES		12,821	13,825
NON-CURRENT LIABILITIES			
Employee benefits	D1	24,838	24,637
Lease liabilities	C8	358	-
Deferred tax liabilities	B3(d)	499	712
TOTAL NON-CURRENT LIABILITIES		25,695	25,349
TOTAL LIABILITIES		38,516	39,174
NET ASSETS		51,548	50,472
EQUITY			
Contributed equity	F1	46,610	42,003
Asset revaluation reserves	F2	9,880	10,535
Retained profits / (losses)	F3	(4,942)	(2,066)
TOTAL EQUITY		51,548	50,472

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 2020

	Note	2020 \$'000	2019 \$'000
REVENUE			
Passenger transport operations	B1(a)	52,363	54,128
Other income	B1(b)	719	1,246
Financial income	B1(c)	179	506
		53,261	55,880
EXPENSES			
Passenger transport operations	B2(a)	(42,197)	(42,561)
Engineering and maintenance services	B2(b)	(7,366)	(7,251)
Administration and general	B2(c)	(7,979)	(7,516)
Finance costs	B2(d)	(785)	(937)
		(58,327)	(58,265)
Profit/(loss) before income tax		(5,066)	(2,385)
Income tax(expense)/benefit	B3(a)	1,518	714
Profit/(loss) for the year		(3,548)	(1,671)

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 2020

	Note	2020 \$'000	2019 \$'000
Profit/(loss) for the year		(3,548)	(1,671)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net asset revaluation increment/(decrement)	F2	-	(2,992)
Actuarial gain/(loss) on defined benefit plan	D3	24	(2,151)
Income tax on other comprehensive income	B3(c)	(7)	1,543
Total other comprehensive income for the year, net of income tax		17	(3,600)
Total comprehensive income for the year		(3,531)	(5,271)

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 2020

	Contributed equity \$'000	Asset revaluation reserves \$'000	Retained profits/ [losses] \$'000	Total \$'000
Balance at 1 July 2019	42,003	10,535	(2,066)	50,472
Profit/(loss)	-	-	(3,548)	(3,548)
Other comprehensive income:				
Net asset revaluation increment/(decrement)	-	-	-	-
Actuarial gain/(loss) on defined benefits plans	-	-	24	24
Income tax relating to components of other comprehensive income	-	-	(7)	(7)
Total comprehensive income for the year	-	-	(3,531)	(3,531)
Transfers between reserves	-	(655)	655	-
Equity contribution	4,607	-	-	4,607
Balance as at 30 June 2020	46,610	9,880	(4,942)	51,548

	Contributed equity \$'000	Asset revaluation reserves \$'000	Retained profits/ [losses] \$'000	Total \$'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

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 2020

	Note	2020 \$'000	2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales and service contracts		56,458	59,289
Interest received		263	422
Cash paid to suppliers and employees		(55,292)	(54,359)
Interest paid (on leases)		(2)	-
Net cash from operating activities	B4(b)	1,427	5,352
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		167	172
Acquisition of property, plant and equipment		(17,070)	(16,466)
Net cash used in investing activities		(16,903)	(16,294)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity contribution		4,607	4,500
Repayment of lease liability		(191)	-
Net cash from financing activities		4,416	4,500
Net increase/(decrease) in cash and cash equivalents		(11,060)	(6,442)
Cash and cash equivalents at the beginning of the financial year		19,552	25,994
Cash and cash equivalents at the end of the financial year	B4	8,492	19,552

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 2020 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 general purpose financial statements which have been prepared 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Instrument, 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. The impact of COVID-19 has been considered as part of making judgements in the Financial Statements. The effect of COVID-19 on the financial result has been detailed in the Directors' Report. Additionally, a three year amendment to the Corporate Plan for Metro, incorporating the effects of the COVID-19 pandemic, has been submitted to the Shareholders following approval by the Board. The plan incorporates the Company's experience since the pandemic lock down commenced and the projections represent management's best estimate of future financial performance. The impact of COVID-19 on Metro's ability to operate as a going concern has been considered at note F10.

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

- Impairment (Trade and Other Receivables, Inventory, 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;
- Provisions for employee benefits – Note D1; and
- Economic Dependency – Note F10.

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 16 Leases

AASB 16 supersedes AASB 117 and related interpretations. The standard 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 (lower than \$10,000 as per accounting policy at F4). 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.

Metro has adopted a partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to the leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The corresponding right-of-use asset is initially recorded on transition at the amount equal to the lease liability. These assets are measured at fair value at 1 July 2019.

In applying AASB 16 for the first time, Metro has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- not recognising a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application, or for low value assets;
- excluding initial direct costs from the measurement of the right-of-use-asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The impact on transition to AASB 16 as at 1 July 2019 was the recognition of additional right-of-use assets and lease liabilities:

	1 July 2019 \$'000
Assets	
Property, plant and equipment	711
Liabilities	
Lease Liabilities	711

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019, as follows:

	1 July 2019 \$'000
Operating lease commitments as at 30 June 2019	374
Weight average incremental borrowing rate as at 1 July 2019	2.14%
<i>Reconciliation:</i>	
Discounted operating lease commitments as at 1 July 2019	335
Less commitments related to short term leases	-
Less commitments related to low value leases	-
Lease payments related to renewal periods not included in operating lease commitments at 30 June 2019	376
Adjustments relating to changes in indexation	-
Lease liability as at 1 July 2019	711

Notes to the Financial Statements

A6 CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (continued)

The effect of adopting AASB 16 on the Statement of Financial Position and Profit and Loss is for the year ending 30 June 2020 as follows:

		With Adoption of AASB 16	Adjustment	Without adoption of AASB 16
		\$'000	\$'000	\$'000
Expense				
Passenger transport operations	B2(a)	42,197	1	42,198
Finance costs	B2(d)	785	(2)	783
Assets				
Property, plant and equipment	C5	66,527	(519)	66,008
Liabilities				
Lease liabilities	C8	519	(519)	-
Equity				
Retained profits/(losses)	F3	(4,942)	1	(4,941)

Change in Estimates

There has been a change to the useful lives of the buses which took effect in 2019-20. The change and the impact has been disclosed at Note C5.

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 F11. 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.

	2020 \$'000	2019 \$'000
(a) Passenger transport operations		
Service contracts	42,136	40,565
Ticket fares	10,227	13,563
	52,363	54,128
(b) Other income		
Profit on disposal of property, plant and equipment	21	44
Advertising income	522	727
Rental income	5	7
Other income	171	468
	719	1,246
(c) Financial income		
Interest income	179	506
	179	506
Total income	53,261	55,880

Notes to the Financial Statements

B2 EXPENSES	2020	2019
	\$'000	\$'000
(a) Passenger transport operations		
Fuel	4,917	5,350
Employee and related expenses	28,223	28,922
Depreciation and amortisation expenses	6,184	4,626
Other expenses	2,872	3,663
	42,197	42,561
(b) Engineering and maintenance services		
Maintenance expense	4,400	4,270
Employee and related expenses	2,548	2,630
Depreciation and amortisation expenses	418	351
	7,366	7,251
(c) Administration and general		
Employee and related expenses	5,066	4,244
Depreciation and amortisation expenses	396	398
Other expenses	2,517	2,874
	7,979	7,516
(d) Finance costs		
Interest expense on leases	2	-
Actuarial interest costs	783	937
	785	937
Total expenses	58,327	58,265

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 30 September 2020. The short term extension for the first quarter of 2020-21 is under the new funding model with the new service contract to be in place from 1 October 2020. Metro's three year projections indicate that it is probable that future tax profits will be achieved under the new funding model. Therefore, it is considered appropriate to continue to recognise deferred income tax assets.

Notes to the Financial Statements

B3 INCOME TAX (continued)	2020 \$'000	2019 \$'000
(a) Income tax expense recognised in the Statement of Profit or Loss		
Current tax expense		
Current tax	(1,131)	281
Deferred tax expense		
Decrease/(increase) in deferred tax asset	(167)	(812)
Increase/(decrease) in deferred tax liability	(213)	(1,726)
Less recognised directly in equity	(7)	1,543
Income tax expense/(benefit)	(1,518)	(714)
(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% (2019: 30%)	(1,520)	(715)
Add tax effect of:		
Non deductible items	2	1
	(1,518)	(714)
(c) Income tax expense recognised directly to equity		
Property, plant and equipment (Note C5)	-	898
Superannuation (Note D3)	7	694
	7	1,543
(d) Non-current and deferred tax balances		
Assets:		
Deferred tax assets	11,120	9,822
Liabilities:		
Deferred tax liability	499	712
	10,621	9,110

Notes to the Financial Statements

B3 INCOME TAX (continued)

(d) Deferred tax balances (continued)

	2020	Opening balance 1 July 2019 \$'000	Prior year adjustment \$'000	Recognised in equity \$'000	Recognised in the Statement of Other Comprehensive Income \$'000	Balance at 30 June 2020 \$'000
Superannuation		7,451	-	(7)	(40)	7,404
Tax losses		113	(31)	-	1,131	1,213
Employee benefits		1,778	-	-	(78)	1,700
Accrued costs		480	-	-	50	530
Other provisions		-	-	-	74	74
Other liabilities		-	-	-	177	177
Other		-	31	-	(8)	23
Prepayments		(67)	-	-	(2)	(69)
Inventories		(73)	-	-	(8)	(81)
Property, plant and equipment		(535)	-	-	186	(349)
Accrued income		(37)	-	-	37	-
Lease liability		-	-	-	(156)	(156)
Right-of-use Asset		-	-	-	155	155
Total		9,110	-	(7)	1,518	10,621

	2019	Opening balance 1 July 2018 \$'000	Prior year adjustment \$'000	Recognised in equity \$'000	Recognised in the Statement of Other Comprehensive Income \$'000	Balance at 30 June 2019 \$'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

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.

	2020 \$'000	2019 \$'000
Cash at bank and on hand	2,421	4,511
Call deposit at Tascorp	2,071	3,541
Term deposits	4,000	11,500
	8,492	19,552
(a) Credit and standby facilities		
Borrowing limit	18,000	3,000
Credit cards facility limit	20	20
Less used/committed	-	-
Balance of credit facility available	18,020	3,020
(b) Reconciliation of profit for the period to net cash provided by operating activities		
Profit/(loss) after income tax	(3,548)	(1,671)
Add (less) non cash items:		
Depreciation	6,894	5,268
Amortisation	106	106
Income tax expense	(1,518)	(714)
Impairment of buses	-	405
Loss/(profit) on sale of non-current assets	(21)	(44)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	123	(181)
(Increase)/decrease in inventories	298	(342)
(Increase)/decrease in other current assets	35	4
Increase/(decrease) in trade and other payables	(651)	1,732
Increase/(decrease) in other current liabilities	(101)	583
Increase/(decrease) in provisions	(190)	206
Net cash inflow from operating activities	1,427	5,352

The borrowing facility held with Tascorp was increased to \$18m in response to the financial impact of COVID-19, which is detailed in the Directors' Report.

Notes to the Financial Statements

Section C

Detailed information on Statement of Financial Position items

C1 TRADE AND OTHER RECEIVABLES

Accounting Policy

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.

	2020 \$'000	2019 \$'000
Trade receivables	185	255
Other receivables	289	342
	474	597

There are no expected credit losses as at 30 June 2020. Refer to Note E1(a) for further details.

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.

	2020 \$'000	2019 \$'000
Inventories	2,457	2,511
Less provision for obsolescence	(245)	-
	2,212	2,511

Provision for obsolescence is the expected value of unused bus spare parts for a series of bus fleet that will be fully decommissioned in 2020–21.

C3 ASSETS HELD FOR SALE

Accounting Policy

Assets whose carrying value will be recovered principally through a sale transaction rather than through continuing use 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.

	2020 \$'000	2019 \$'000
Buses	51	266
	51	266

Assets held for sale relates to four buses (2019: 35 buses) and are currently decommissioned and for which an active programme to sell is in place with the expectation to be settled within 12 months. The level 3 fair value of the buses as at 30 June 2020 is \$51,000 (2019: \$266,000).

C4 OTHER CURRENT ASSETS

	2020 \$'000	2019 \$'000
Prepayments	911	839
Other Current Assets	32	139
	943	978

Notes to the Financial Statements

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 12 months are disclosed as current assets.

Revaluations

The bus fleet, land and buildings are independently revalued on a three yearly basis or as regularly as necessary to ensure the carrying value reflects fair value at balance date. An indexation analysis for land and buildings is performed in subsequent years 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.

The accounting policy for the right-of-use asset is disclosed at Note F4.

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
Right-of-use assets	1 – 5 years

Land is not depreciated.

The bus fleet is depreciated using the 'Fleet Depreciation Profile'. For the financial year ended 30 June 2020 this applied an effective life of 25 years for the rigid buses and 30 years for the articulated buses, both of which have a 2.5% residual value.

This is a change in the rate from the prior period where both bus types had an effective life of 30 years. The change was the result of an update to the estimated remaining useful lives to better reflect the expected life cycle of the two different bus types and was determined as part of the revaluation that was performed at 30 June 2019.

Impact of the change in estimate:

	2020 \$'000
Increase/(decrease) in depreciation expense	348

Notes to the Financial Statements

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

	2020 \$'000	2019 \$'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	(340)	(172)
Total	6,510	6,678
Total land and buildings	14,960	15,128
Buses		
At fair value	51,603	35,315
Less: accumulated depreciation	(5,687)	-
Total	45,916	35,315
Route infrastructure		
At cost	4,029	3,868
Less: accumulated depreciation	(2,958)	(2,757)
Total	1,071	1,111
Office equipment		
At cost	1,535	1,527
Less: accumulated depreciation	(1,371)	(1,268)
Total	164	259
Electronic ticketing and communication equipment		
At cost	5,069	5,069
Less: accumulated depreciation	(5,024)	(4,807)
Total	45	262

Notes to the Financial Statements

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

	2020 \$'000	2019 \$'000
CCTV Equipment		
At cost	1,467	1,466
Less: accumulated depreciation	(1,391)	(1,348)
Total	76	118
Plant and equipment		
At cost	2,781	1,852
Less: accumulated depreciation	(1,234)	(1,053)
Total	1,547	799
Auxiliary vehicles		
At cost	349	369
Less: accumulated depreciation	(166)	(157)
Total	183	212
Right-of-use assets		
At fair value	711	-
Less: accumulated depreciation	(192)	-
Total	519	-
Work in progress		
At cost	2,046	2,403
Total	2,046	2,403
Total property, plant and equipment	66,527	55,607

Notes to the Financial Statements

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Reconciliation of movements in carrying amounts

2020	Land at fair value \$'000	Buildings at fair value \$'000	Buses at fair value \$'000	Route infrastructure at cost \$'000	Office equipment at cost \$'000	Electronic ticketing and communication equipment at cost \$'000	CCTV equipment at cost \$'000	Plant and equipment at cost \$'000	Auxiliary vehicles at cost \$'000	Right-of-use assets at cost \$'000	Work in progress at cost \$'000	Total \$'000
Carrying amount at 1 July	8,450	6,678	35,315	1,111	259	262	118	799	212	-	2,403	55,607
Additions	-	-	-	161	30	-	-	538	103	711	16,284	17,827
Disposals	-	-	-	-	(1)	-	-	(9)	(50)	-	-	(60)
Revaluation increments/(decrements)	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	-
Assets held for sale	-	-	47	-	-	-	-	-	-	-	-	47
Net transfers	-	-	16,241	-	-	-	-	400	-	-	(16,641)	-
Depreciation	-	(168)	(5,687)	(201)	(124)	(217)	(43)	(181)	(82)	(192)	-	(6,894)
Carrying amount at 30 June	8,450	6,510	45,916	1,071	164	45	76	1,547	183	519	2,046	66,527

2019	Land at fair value \$'000	Buildings at fair value \$'000	Buses at fair value \$'000	Route infrastructure at cost \$'000	Office equipment at cost \$'000	Electronic ticketing and communication equipment at cost \$'000	CCTV equipment at cost \$'000	Plant and equipment at cost \$'000	Auxiliary vehicles at cost \$'000	Right-of-use assets at cost \$'000	Work in progress at cost \$'000	Total \$'000
Carrying amount at 1 July	8,450	6,850	27,232	1,081	269	769	162	781	195	-	2,472	48,261
Additions	-	-	-	222	110	4	-	81	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	-	-	54	-	-	(15,934)	-
Depreciation	-	(172)	(4,029)	(192)	(125)	(503)	(44)	(117)	(86)	-	-	(5,268)
Carrying amount at 30 June	8,450	6,678	35,315	1,111	259	262	118	799	212	-	2,403	55,607

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 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.

Details of Metro's buses and land and buildings and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair Value as at 30 June 2020 \$'000
Buses	-	-	45,916	45,916
Land and buildings	-	14,960	-	14,960

There were no transfers between levels 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:

	2020 \$'000	2019 \$'000
Buses	46,400	34,291
Land and buildings	4,077	4,077

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:

Computer software 4 years

	2020 \$'000	2019 \$'000
(a) Carrying amounts		
Computer software		
At cost	1 345	1 307
Less: accumulated amortisation	(1,100)	(994)
Total	245	313
Total intangibles	245	313
(b) Reconciliation of movements in carrying amounts		
Carrying amount at 1 July	313	173
Additions- other development	38	246
Disposals	-	-
Amortisation	(106)	(106)
Carrying amount at 30 June	245	313

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 paid in accordance with Creditor terms, which is usually within 30 days of recognition.

	2020 \$'000	2019 \$'000
Trade creditors and accruals	6,380	7,032
	6,380	7,032

C8 LEASE LIABILITIES

Accounting Policy

The accounting policy for leases is outlined at Note F4.

	2020 \$'000	2019 \$'000
Current	161	-
Non-current	358	-
	519	-
Reconciliation of movement throughout the year:		
Balance at 1 July 2019	710	-
Interest expense	2	-
Payments	(193)	-
Balance as at 30 June 2020	519	-

Notes to the Financial Statements

C9 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.

	2020 \$'000	2019 \$'000
Revenue received in advance	591	663
Employee benefits oncosts	413	442
	1,004	1,105

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.

Notes to the Financial Statements

D1 EMPLOYEE BENEFITS (continued)

	2020 \$'000	2019 \$'000
Current:		
Retirement benefits	1,112	1,401
Compensated benefits:		
Accrued salaries and wages	786	620
Annual leave	1,418	1,481
Long service leave	1,960	2,186
	5,276	5,688
Non-current:		
Retirement benefits	23,571	23,440
Compensated benefits:		
Long service leave	1,267	1,197
	24,838	24,637
	30,114	30,325

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Short-term employee benefits	175	171	1,131	927	1,306	1,098
Post-employment benefits	17	17	111	87	128	104
Other long-term employee benefits	-	-	(184)	9	(184)	9
Termination Benefits	-	-	205	12	205	12
	192	188	1,263	1,035	1,455	1,223

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.

Notes to the Financial Statements

D2. RELATED PARTIES (continued)

(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:

2020 Director Remuneration¹

Name	Position	Period	Directors' Fees \$'000	Committee Fees \$'000	Superannuation ² \$'000	Other benefits ³ \$'000	Total \$'000
Non-Executive Directors							
Mr Tim Gardner	Chair	Full term	55	-	5	1	61
Ms Yvonne Rundle	Director	Full term	27	-	3	2	32
Ms Susan Fahey	Director	Full term	27	-	3	1	31
Ms Jude Munro	Director	Full term	27	-	3	-	30
Mr Greg Wallace	Director	From 09/08/19	23	-	2	-	25
Mr Nick Burrows	Director	To 28/11/19	12	-	1	-	13
Total			171	-	17	4	192

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

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:

2020 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 ⁶ \$'000	Total Remuneration Package \$'000	Termination Benefits ⁷ \$'000	Other Long Term Benefits ⁸ \$'000	Totals \$'000
Ms Megan Morse	Chief Executive Officer	To 22/05/2020	243	-	19	-	-	-	262	104	(99)	267
Mrs Anita Robertson	Chief Financial Officer	To 10/04/2020	178	-	21	-	-	-	199	45	(96)	148
Mr Ian Ward	General Manager Operations	To 12/07/19	11	-	6	-	-	-	17	56	(56)	17
Mr Paul Passmore	General Manager People and Safety	To 23/03/2020	120	-	11	-	-	-	131	-	13	144
Mr Chris Breen	General Manager Business Improvement Services	Full year	152	-	14	-	-	-	166	-	17	183
Mr Darren Carey	General Manager Operations	To 23/03/2020	140	-	13	-	-	-	153	-	10	163
Mrs Kim Perkins	Executive Projects Manager	From 12/08/19	121	-	12	-	-	-	133	-	13	146
Sub-total			965	-	96	-	-	-	1,061	205	(198)	1,068
Acting arrangements												
Mr Darren Carey	Acting Chief Executive Officer	From 23/03/2020 to 30/06/2020	65	-	6	-	-	-	71	-	7	78
Mr Paul Passmore	Acting General Manager Operations	From 23/03/2020 to 30/06/2020	46	-	4	-	-	-	50	-	5	55
Mr Jesse Penfold	Acting Chief Financial Officer	From 10/02/2020 to 30/06/2020	55	-	5	-	-	-	60	-	2	62
Sub-total			166	-	15	-	-	-	181	-	14	195
Total			1,131	-	111	-	-	-	1,242	205	(184)	1,263

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:

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 ⁶ \$'000	Total Remuneration Package \$'000	Termination Benefits ⁷ \$'000	Long Term Benefits ⁸ \$'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 23/09/2018	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			805	41	82	23	-	-	951	12	4	967
Acting arrangements												
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

Executive Remuneration Notes and Statements

¹Gross Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.

²Short term incentive payments are non-recurring payments which depend on achieving specified performance goals within specified timeframes.

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

⁴Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and fringe benefits tax.

⁵Other benefits includes all other forms of employment allowances (includes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.

⁶Other non-monetary benefits include non-monetary benefits (such as housing, subsidised goods or services etc.).

⁷Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

⁸Other 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 and People and Culture Committee approved the wind up of short term incentive payments at 30 June 2019. As such no payments were payable at 30 June 2020.

Termination benefits

Termination payments during the current year included:

- Ms Morse ceased employment effective 22 May 2020 was paid \$103,714, which includes leave entitlements.
- Mrs Robertson ceased employment effective 10 April 2020 was paid \$44,750, which includes leave entitlements.
- Mr Ward ceased employment effective 12 July 2019 was paid \$56,318, which includes leave entitlements.

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 Carey, Mr Passmore and Mr Penfold were appointed to acting positions for the periods shown, whilst the positions were vacant.

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.

Notes to the Financial Statements

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 2020 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	2020	2019
	\$'000	\$'000
Net defined benefit liability/(asset) at start of year	24,841	22,509
(+) Current service cost	278	312
(+) Past service cost/curtailments	-	-
(+) Gain/loss on settlements	-	-
(+) Net interest	783	937
(-) Actuarial return on plan assets less interest income	(315)	(117)
(+) Actuarial [gains]/losses arising from changes in demographic assumptions	(76)	-
(+) Actuarial [gains]/losses arising from changes in financial assumptions	(452)	3,428
(+) Actuarial [gains]/losses arising from liability experience	189	(1,394)
(+) Adjustment for effect of asset ceiling	-	-
(-) Employer contributions	1,195	1,068
Net defined benefit liability/(asset)	24,683	24,841
Current net liability	1,112	1,401
Non-current net liability	23,571	23,440

Reconciliation of the Fair Value of Scheme Assets

Financial year ending	2020	2019
	\$'000	\$'000
Fair value of plan assets at beginning of the year	5,598	5,712
(+) Interest income	176	238
(+) Actual return on plan assets less Interest income	(315)	(117)
(+) Employer contributions	1,195	1,068
(+) Contributions by plan participants	100	145
(-) Benefits paid	1,606	1,447
(-) Taxes, premiums and expenses paid	1	1
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Fair value of plan assets at end of the year	5,147	5,598

Notes to the Financial Statements

D3. SUPERANNUATION AND DEFINED BENEFITS (continued)

Reconciliation of the Defined Benefit Obligation

Financial year ending	2020	2019
	\$'000	\$'000
Present value of defined benefit obligations at beginning of the year	30,439	28,221
(+) Current service cost	278	312
(+) Past service cost/curtailments	-	-
(+) Gain/loss on settlements	-	-
(+) Interest cost	959	1,175
(+) Contributions by plan participants	100	145
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	(76)	-
(+) Actuarial (gains)/losses arising from changes in financial assumptions	(452)	3,428
(+) Actuarial (gains)/losses arising from liability experience	189	(1,394)
(-) Benefits paid	1,606	1,447
(-) Taxes, premiums and 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	29,830	30,439

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 2020			
	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	-	-	-	-
Australian equities	824	-	824	-
International equities	1,050	-	1,050	-
Infrastructure	664	180	-	484
Diversified fixed interest	1,296	-	1,296	-
Property	927	-	927	-
Alternative investments	386	-	386	-
Total	5,147	180	4,483	484

Estimated based on assets allocated to Metro as at 30 June 2020 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 1.60%, 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	2020	2019
Assumptions to Determine Defined Benefit Cost and Start of Year 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%
Financial year ending		
	2020	2019
Assumptions to Determine Year End DBO		
Discount rate (active members)	3.15%	3.25%
Discount rate (pensioners)	3.15%	3.25%
Expected rate of increase of compulsory preserved amounts	3.00%	3.00%
Expected salary increase rate	3.00%	3.00%
Expected pension increase rate	2.25%	2.50%

Sensitivity Analysis

The defined benefit obligation as at 30 June 2020 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
		-0.5% pa discount rate	+0.5% pa discount rate	-0.5% pa pension increase rate	+0.5% pa pension increase rate
Discount rate	3.15%	2.65%	3.65%	3.15%	3.15%
Pension increase rate	2.25%	2.25%	2.25%	1.75%	2.75%
Defined benefit obligation (\$'000s)	29,830	31,654	28,176	28,311	31,488

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	2021 \$'000
Expected employer contributions	1,112

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for Metro is 12.1 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 three years.

Based on the factors noted above and a review identifying nil bad debt write offs by Metro over the past four 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 2020 or 30 June 2019.

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Financial assets:								
Receivables	409	549	59	11	6	37	474	597

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 for the short to medium term in relation to Metro's operational, investing and financing activities;
- obtaining funding from a variety of sources including a service contract with the Department of State Growth and fares revenue;
- having in place a borrowing facility of \$18m with Tascorp, which has been supported by the Treasurer as detailed in Note F10;
- 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:										
Cash at bank	0.49	0.80	2,421	3,850	-	-	-	-	2,421	3,850
Call deposit at Tascorp	0.12	1.62	2,071	3,540	-	-	-	-	2,071	3,540
Call deposit at CBA	0.29	1.50	4,000	662	-	-	-	-	4,000	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
Receivables	-	-	-	-	-	-	474	597	474	597
			8,492	8,052	-	11,500	474	597	8,966	20,149

Metro holds no interest bearing financial liabilities.

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

	2020	2019
	\$'000	\$'000
Less than 6 months	6,380	7,032
6 months to 1 year	-	-
1-5 years	-	-
	6,380	7,032

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 2020, 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	
	2020 \$'000	2019 \$'000
Change in profit or loss		
- Increase in interest rate by 2%	280	455
- Decrease in interest rate by 2%	(280)	(455)
Change in equity		
- Increase in interest rate by 2%	280	455
- Decrease in interest rate by 2%	(280)	(455)

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

(d) Net fair values

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

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

(e) Financial instruments by categories

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Financial assets amortised cost:		
Cash and cash equivalents	8,492	19,552
Receivables	474	597
	8,966	20,149
Financial liabilities at amortised cost:		
Trade creditors and accruals	6,380	7,032
Lease liabilities	519	-
	6,899	7,032

(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. As noted in E1(b) a loan facility of \$18m has been established with TasCorp to ensure adequate funding is available to finalise the Accelerated Bus Replacement Program in 2020-21.

Notes to the Financial Statements

Section F Other information

F1 CONTRIBUTED EQUITY

	2020 \$'000	2019 \$'000
Balance at beginning of financial year	42,003	37,503
Equity contribution	4,607	4,500
Balance at end of financial year	46,610	42,003

F2 ASSET REVALUATION RESERVES

2020	CONSOLIDATED		
	Land and buildings \$'000	Buses \$'000	Total \$'000
Balance at beginning of financial year	5,876	4,659	10,535
Revaluation increments/(decrements)	-	-	-
Impairment losses	-	-	-
Disposal of revalued buses	-	(655)	(655)
Deferred tax asset/(liability)	-	-	-
Balance at end of financial year	5,876	4,004	9,880

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

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

	2020 \$'000	2019 \$'000
Balance at beginning of financial year	(2,066)	(606)
Net profit/(loss)	(3,548)	(1,671)
Revaluation increments (decrements) attributable to assets disposed of during the year	655	819
Defined benefit plan actuarial gains/(losses)	24	(2,151)
Related income tax	(7)	1,543
Balance at end of financial year	(4,942)	(2,066)

Notes to the Financial Statements

F4 LEASES

Accounting Policy

Metro leases properties for various purposes including shopfronts, depots and parking spaces. Lease periods are typically made for fixed periods of two to five years, but may have extension options.

The property leases were entered into at various dates prior to 1 July 2019 and were previously classified as operating leases under AASB 117.

Metro assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration.

Metro recognises lease liabilities to make lease payments and right-of-use-assets representing the right to use the underlying assets, except for short-term leases (less than 12 months) and leases of low-value assets (less than \$10,000). Recognition occurs at the commencement date of the lease.

(a) Right-of-use assets

Right-of-use assets are initially measured at the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

Right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to Metro by the end of the lease term. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset.

In addition, the right-of-use asset is subject to revaluation and impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Metro's right-of-use assets are disclosed at Note C5.

(b) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Metro's incremental borrowing rate. Generally, Metro uses its incremental borrowing rate as the discount rate.

Metro determined its incremental borrowing rate to be the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset, in a similar economic environment, with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or a rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that Metro is reasonable certain to exercise, lease payments in an optional renewal period if Metro is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Metro is reasonably certain not to terminate early.

After the commencement date the lease liability is remeasured when there is a modification, a change in the lease term, a change in lease payments or a change in the assessment of an option to extend the lease or purchase the underlying asset. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amounts of the right-of-use asset has been reduced to nil.

Metro's lease liabilities are disclosed at Note C8.

(c) Short-term leases and leases of low-value assets

Metro has elected not to recognise right-of-use assets and lease liabilities of low-value assets and short-term leases for both tangible and intangible assets, including IT equipment. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

F4 LEASES (continued)

The following table presents right-of-use assets that are included in the amounts of Property, plant and equipment at Note C5.

	2020 \$'000
Balance at 1 July 2019	711
Depreciation charge for the year	192
Balance at 30 June 2020	519

The following amounts were recognised in the Statement of Comprehensive Income for the year ended 30 June 2020 in respect to lease where Metro is the lessee.

	2020 \$'000
Depreciation expense of right-of-use assets	192
Interest expense on lease liabilities	2
Expenses relating to short-term leases	36
Expenses relating to leases of low-value assets	-
Total	230

Metro had total cash outflows for lease of \$228,589 for 2019-20.

F5 REMUNERATION OF AUDITORS

	2020 \$'000	2019 \$'000
External audit services	57	57
	57	57

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

F6 COMMITMENTS FOR EXPENDITURE

	2020 \$'000	2019 \$'000
Capital commitments:		
Payments within 1 year	10,755	16,267
Payments 1-5 years	-	10,755
	10,755	27,022

Notes to the Financial Statements

F7 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.

A three year Amended Corporate Plan for Metro, incorporating the effect of the COVID-19 pandemic, has been submitted to the Shareholders following approval by the Board. The plan incorporates the Company's experience since the pandemic lock down commenced and the projections represent management's best estimate of future financial performance. Based on the future projections of Metro, the Board has determined that no indicators of impairment exist and, accordingly, no formal estimate of the recoverable amount has been performed.

(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.

F8 SUBSEQUENT EVENTS

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

F9 CONTINGENT LIABILITIES

After due investigation Metro has identified no material contingent liabilities.

F10 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. Contract extensions have been negotiated, with the most recent being for the period 1 July 2020 to 30 September 2020. The extension incorporates a funding model in line with the new service contract that is anticipated to be in place by 1 October 2020.

As part of the Government's response to the COVID-19 pandemic, the Treasurer has ensured that all Government businesses have access to sufficient funding. On 15 June 2020 the Treasurer provided explicit support to the Tasmanian Public Finance Corporation for Metro Tasmania's maximum borrowing limit of \$18 million. As at 30 June 2020 no borrowings have been required by Metro Tasmania.

Notes to the Financial Statements

Metro has established a draw down strategy for accessing its borrowing facility during 2020–21 that ensures the Company will be capable of meeting all short term commitments and its capital management plan, including the Accelerated Bus Replacement Program. A three year Amended Corporate Plan for Metro, incorporating the effects of the COVID-19 pandemic, has been submitted to the Shareholders following approval by the Board. The plan incorporates the Company's experience since the pandemic lock down commenced and the projections represent management's best estimate of future financial performance.

The above factors, in addition to the commitment for ongoing support from the Tasmanian Government, satisfies the Board that Metro can continue to operate in the foreseeable future as a going concern through the uncertain economic conditions resulting from the COVID-19 pandemic.

F11 CONTROLLED ENTITY

	Country of incorporation	Equity interest 2020	2019
Parent entity:			
Metro Tasmania Pty Ltd	Australia	-	-
Controlled entity:			
Metro Coaches (Tas) Pty Ltd	Australia	100%	100%

