



ANNUAL REPORT 2017-18



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Nature of Business

Provision of bus passenger transport services

Issued Capital

Two shares of \$1.00 each

Registered Office

212 - 220 Main Road
Moonah, TAS 7009

ABN Number

30 081 467 281

Directors

Michael Harris	Chair
Tim Gardner	Deputy Chair
Nick Burrows	
Jude Munro	
Susan Fahey	

Shareholders

Minister for Infrastructure Hon. Jeremy Rockliff
Treasurer Hon. Peter Gutwein

Executive Managers

Megan Morse	Chief Executive Officer
Anita Robertson	Chief Financial Officer and Company Secretary
Ian Ward	General Manager Operations
Stacey Hogarth	General Manager People and Safety
Chris Breen	Acting General Manager Business Improvement Services (from 6 February 2018)

Bankers

Commonwealth Bank of Australia
81 Elizabeth Street
Hobart, TAS 7000

Auditor

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



Company Overview

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

It is Tasmania's largest passenger transport service provider, operating a fleet of 220 buses in and around Hobart, Launceston and Burnie.

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

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

Metro's Shareholder Ministers, representing the people of Tasmania, are Minister for Infrastructure Hon Jeremy Rockliff and Treasurer Hon Peter Gutwein.

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

Our Vision

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

Our Business Purpose

To be a sustainable bus company connecting people and communities.

Our Goals

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

Our Values

Safety

We take pride in everyone getting home safely, by:

- having a safe workplace; and
- putting safety first

Respect

We show respect for everyone at all times:

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

Resilience

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

- determination;
- commitment; and
- strength

Unity

We work together with honesty and transparency.

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

Service Driven

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

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



Chair's Report

2017-18 has been another busy year for Metro, providing numerous internal and external sources of pride for us as a company.

Following some significant liveability oriented announcements from the Tasmanian State Government, we are positive about the growing focus on improving public transport in our operating areas. We have long advocated for measures such as clearways, bus lanes and priority lights to make buses an even more compelling alternative to the private car and offer a true commuter incentive.

As buses are the most flexible, cost effective public transport solution – with each capable of taking up to 60 cars off the road – we welcome the announcement of plans to prioritise their movement on the Southern Outlet and Macquarie and Davey Streets.

In May, the Tasmanian Government amended the *Metro Tasmania Act 1997* to remove the limitation of 'road based' transport, allowing us to operate a ferry service on the River Derwent. Public transport

is a critical element of successful transport outcomes for Hobart, and we are excited to broaden the modes available to those searching for a more conscious alternative to single car occupancy.

We acknowledge that a range of stakeholders have already dedicated significant consideration to ferries, and Metro will engage with these parties and their collective insights as we commence planning for this service. We look forward to applying the expertise we have developed in connecting Tasmanian communities to this new mode.

Financial result

Metro is committed to operating a fiscally responsible business that meets the needs of the community. In the 2017-18 year Metro recorded a loss of \$1.94m before tax and \$1.36m after tax. The loss is incurred because Metro no longer receives additional government funding of \$3.25m as revenue in the Statement of Profit or Loss, but rather as an equity contribution in the Statement of Financial Position (refer to note 26 in the Notes to the Financial Statements).

During the reporting year the Department of State Growth provided \$38.6m under service contracts to Metro to operate bus services in Hobart, Launceston and Burnie.

As a result of increased service utilisation, ticketing income increased to \$12.6m, equating to approximately 24 per cent of Metro's income. Major expenses continue to be employee wages and salaries, fuel, maintenance of the fleet, and infrastructure upgrades.

Accelerated Bus Replacement Project

We were pleased to reach another milestone in our major fleet upgrade in April, welcoming the first fully Tasmanian built Bustech bus off the Elphinstone production line. Metro's investment has created fantastic opportunities for our advanced manufacturing partners in the North West and we trust the community shares our pride that the new buses are being built in Tasmania, by Tasmanians, for Tasmanians.

These vehicles will allow Metro to meet *Disability Discrimination Act 1992* requirements and provide

“We were pleased to reach another milestone in our major fleet upgrade in April, welcoming the first fully Tasmanian built Bustech bus off the Elphinstone production line.”



100 per cent of services with a low floor bus by 2022, as well as significantly reducing the average age of our fleet, allowing Metro to operate more efficient, reliable services. We are eager to deliver Metro passengers a more comfortable, accessible, and environmentally friendly journey as more vehicles enter service over the balance of the project.

Improved stakeholder relationships

Connecting communities is the reason Metro operates, and this year additional measures were implemented to support passengers who face mobility challenges to travel confidently in our networks.

Metro’s Disability Action Plan Consultation Groups provide a forum for customer input to ensure that the implementation of Metro’s Disability Action Plan (2011 – 2022) best meets the Plan’s objectives around providing services that are accessible to, and inclusive of all people, including people with disabilities.

Meetings focus specifically on identifying opportunities to foster collaboration with key stakeholders around the Plan’s priority areas of identifying access barriers to Metro’s services and facilities and identifying potential actions to remove barriers. Twenty-seven

community groups are currently involved in the meetings across each network, with a broader stakeholder group engaged as required.

Additionally, Metro introduced changes to its notification process to better inform customers in the rare circumstance an advertised low-floor service is allocated a non-accessible vehicle.

Metro supported a range of community organisations and events throughout 2017-18, and remains committed to ongoing community investment. With University of Tasmania students representing a growing and increasingly important market segment, Metro further strengthened its relationship with the University over the year by taking part in several initiatives to increase student engagement, including:

- Visiting Orientation Week expos state-wide to increase awareness of services, timetables, and fares
- Providing free travel during Welcome Week in Launceston and the North West Coast in partnership with the Tasmanian University Union
- Offering Greencard incentives for residents at Hobart City accommodation sites
- Transporting contestants for the Hobart Amazing Race event

- Partnering with the Menzies Institute for the Medical Research Tasmanian Travel and Physical Activity Study 2017

Employees

In this financial year we formally welcomed Megan Morse as Metro’s new Chief Executive Officer. Megan’s appointment in September 2017 followed an interim period of invaluable leadership in the role from December 2016, and I am pleased to have the opportunity to work with her as we continue to build on Metro’s success into the future.

Finally, on behalf of the Board I would like to express my sincere appreciation to the entire Metro team for their efforts over the past year and embodying our corporate values in the face of significant change, challenges, and opportunities. I am confident that by working together, we will ensure Metro continues its journey towards being a diverse, inclusive company we can all be proud of.

Michael Harris
Chair



CEO's Report

We're delighted that more Tasmanians are choosing to travel with us more frequently, and look forward to strengthening this relationship by further optimising our networks and operations.

Metro has implemented a number of initiatives in recent years, particularly in Hobart, that have successfully encouraged more full-fare paying adult passengers to use public transport. As a result, we have recorded a fifth year of consecutive growth, attracting a state-wide patronage increase of 1.7 per cent - a 5.1 per cent improvement when compared with 2012-13. The Hospital Link route 85 service launched in late 2016 now regularly records patronage in excess of 1000 passengers per month, one third of which are students in the North West region.

We strive to provide reliable services, and have seen significant improvement in our on time, early, and late running performance over 2017-18. These are excellent outcomes, and reflect contribution and effort from everyone right across each of our networks.

Whilst we have noted a reduction in late running across the state, Burnie and Launceston's results demonstrate the extent to which congestion in Hobart can challenge our service reliability and customer satisfaction, which highlights the potential of recent announcements relating to bus priority measures.

Free Before 7

We again offered Hobart customers free travel before 7am in a bid to combat the congestion associated with the return to school period, following the success of this initiative in 2017. Passengers could travel free in the Hobart urban area before 7am on business days from 29 January to 23 February 2018.

This approach to travel demand management in a period of expected congestion met its two key aims. It encouraged customers to choose

earlier trips which offered a more comfortable and reliable service, creating capacity on morning peak buses to improve the customer experience on these services. It also made other road users aware of congestion and urged them to find alternatives to contributing through single car occupancy. In this sense, the promotion was a useful awareness tool that contributed to a better on road experience for everyone, on a bus or otherwise.

We are pleased that the promotion was a success and thank those in our community that changed their behaviour as a result, either by boarding an earlier bus or simply avoiding single car occupancy during peak travel periods.

Safety

Metro delivered three safety oriented public campaigns this year, consistent with the importance we place on operating our services as safely as possible. In November, we partnered with the Rail, Tram and Bus Union to be the first bus company in Australia to co-launch a new public awareness campaign



“ We were delighted to receive recognition at the TasBus annual conference for the contribution we have made to improving safety both within our business and the wider bus industry. ”

promoting respect, understanding and consideration between passengers and drivers, with the key message ‘Your bus. My office. Our safety.’

In December, prior to a major relocation of services in the Hobart CBD, Metro launched the first part of our ‘Be Bus Smart’ awareness campaign, by highlighting the requirement to give way to buses from a legislative, safety, and service reliability perspective. The second part of this campaign was delivered in April before a further major disruption to our Hobart City interchange, and encouraged pedestrians to be alert and aware around buses, particularly in high risk areas.

We thank our partners for these ‘Be Bus Smart’ campaigns, TasBus, the RACT, and the Road Safety Advisory Council. Their support reinforced that there are a variety of stakeholders when it comes to being ‘bus smart’ and afforded the material a broader audience.

We were delighted to receive recognition at the TasBus annual conference for the contribution we have made to improving safety both within our business and the wider bus industry.

While the three bus safety campaigns we delivered drew the industry’s attention to our commitment to this area, our safety focus is well rounded, and in accepting nomination in this category Metro was recognised for its achievements against four criteria related to safety leadership, management, innovation, and implementation.

As winners of the Tasmanian safety award, Metro is eligible for national recognition via a Bus Industry Confederation award, which will be announced at the Australasia Bus and Coach Conference in October 2018.

Reduction in on road incidents

As part of our safety focus we also dedicated significant attention to reducing on road incidents which result in damage to buses. This focus, anchored by a comprehensive training program, resulted in a significant reduction in the number of incidents Metro experienced.

Hobart City interchange disruption

On 10 December 2017 and 13 May 2018 Metro relocated services in the Hobart City interchange to accommodate development in the area. We actively supported passengers and other road users to adjust to the changes via comprehensive communication strategies.

Megan Morse
Chief Executive Officer



Our performance

Passenger Levels

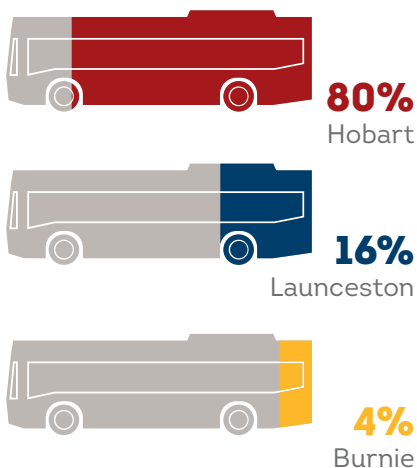
During 2017-18, there were 8.29 million passenger journeys – an increase of 1.7 per cent on the previous year after adjusting for the different number of day types (school term, holidays and weekends).

Passenger journeys

8.29 million



Figure 1: Passenger Boardings



“ This is the fifth consecutive year of patronage growth, with full-fare paying adult passenger boardings increasing by over 16 per cent during that period ”

Figure 2: Boardings by Passenger Type

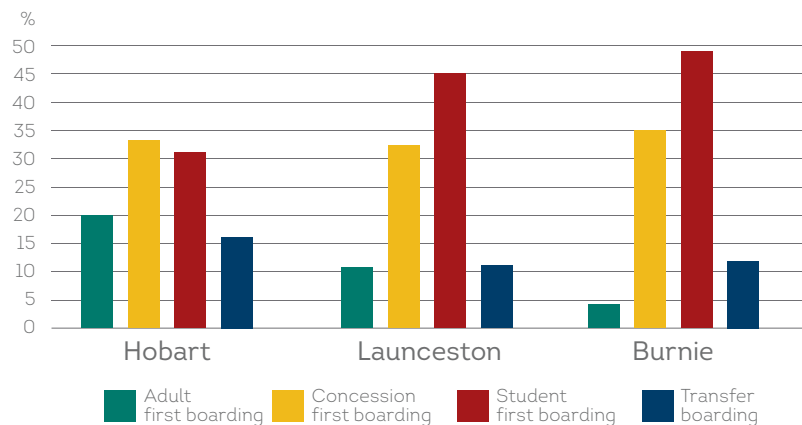
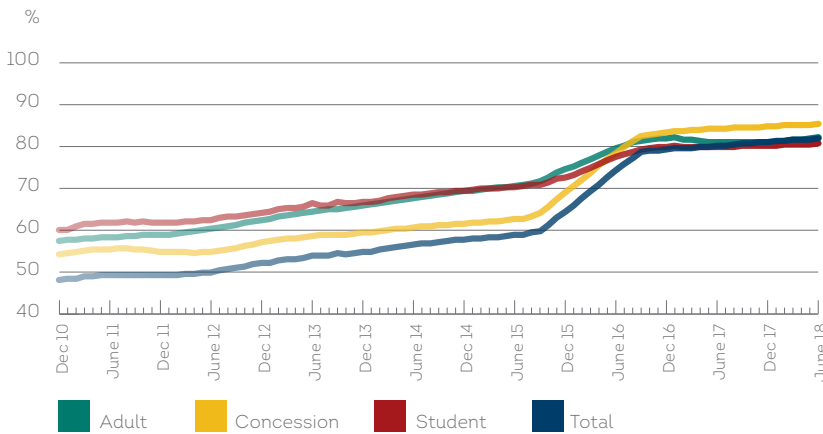
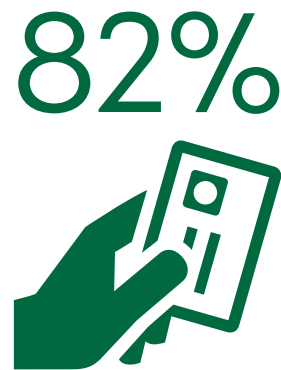




Figure 3: Usage of Greencard since implementation



Boardings made with Greencard in 2017-18



Service Initiatives

Hobart City interchange

Bus stops in the Hobart City interchange were altered during 2017-18 to accommodate development projects in the area. The operational planning and implementation of these changes was a major undertaking, and proceeded in partnership with the Department of State Growth, City of Hobart, and relevant private stakeholders. The arrangements were successfully implemented, supported by extensive customer information campaigns to assist the public through the transition.

Launceston Tiger Bus

Metro continues to operate the City of Launceston's Tiger Bus service, which includes a 15-minute weekday peak period shuttle from Inveresk to Launceston City and two inter-peak 30-minute city loops.

Latrobe - Burnie Service

The route 85 Hospital Link service between the North West Regional Hospital in Burnie and the Mersey Community Hospital in Latrobe was implemented in September 2016. The service attracted strong patronage during 2017-18, with an average of 1,000 boardings per month.

Special Event Services

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

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

Free bus services were again provided by Metro to convey spectators to and from major sporting events at Blundstone Arena, Bellerive in partnership with Cricket Tasmania.



Our performance

Bus Fleet

The Disability Standards for Accessible Public Transport (DSAPT) require that 80 per cent of services are provided using accessible buses. In 2017-18 Metro provided 67 per cent of services with accessible buses. This figure is calculated with dedicated school services excluded as per the DSAPT.

2017-18 saw the arrival of the first of 100 new buses that will be delivered over the next four years. These new low floor accessible buses will enable Metro to be 100 per cent compliant with the DSAPT well ahead of the benchmark date of December 2022.



220
buses in fleet



100%
with CCTV



67%
accessible services

General access services delivered with low floor accessible buses

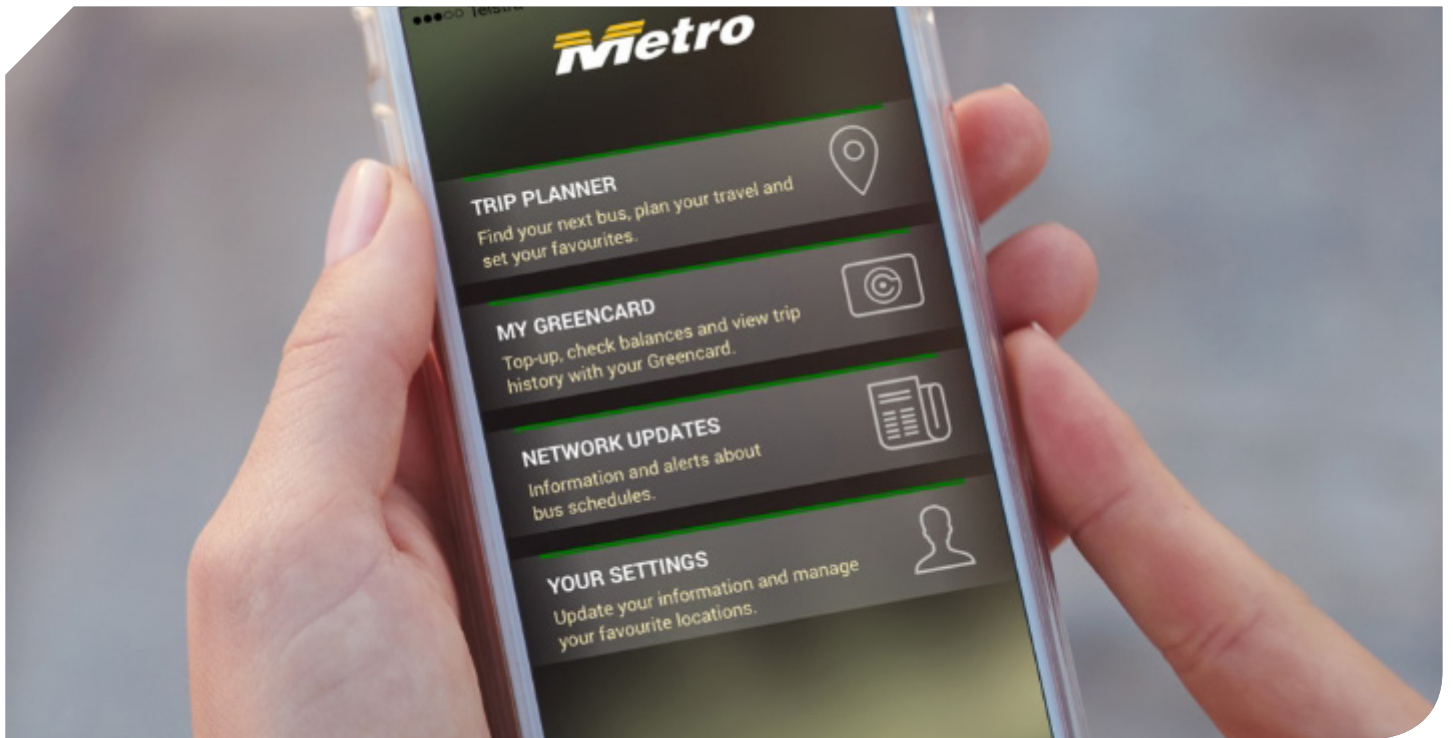


57%
DDA compliant

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



47%
with air conditioning



Website and App

Website

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

App

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



1.64 million

Website Visits

June 2017-June 2018



64,948

Total App Downloads

As at June 2018



71.2%

New Users

June 2017-June 2018



770,000

Journeys Planned

June 2017-June 2018



Our workforce

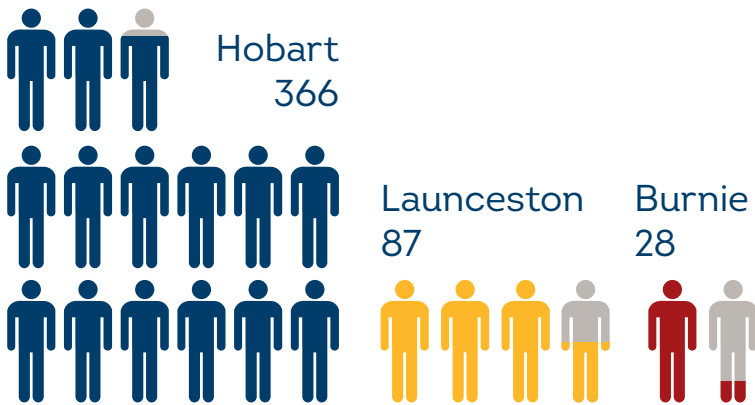


Figure 4: Employees recruited

79

68 Bus Operators

11 Salaried Employees



79 employees recruited in 2017-18

Figure 5: Employment profile

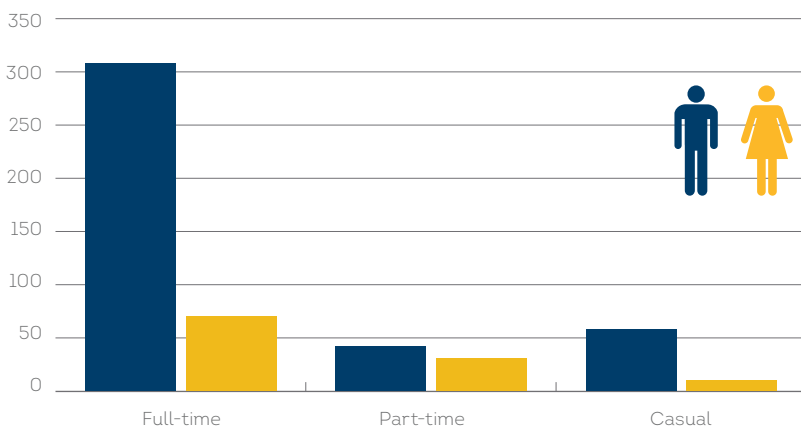
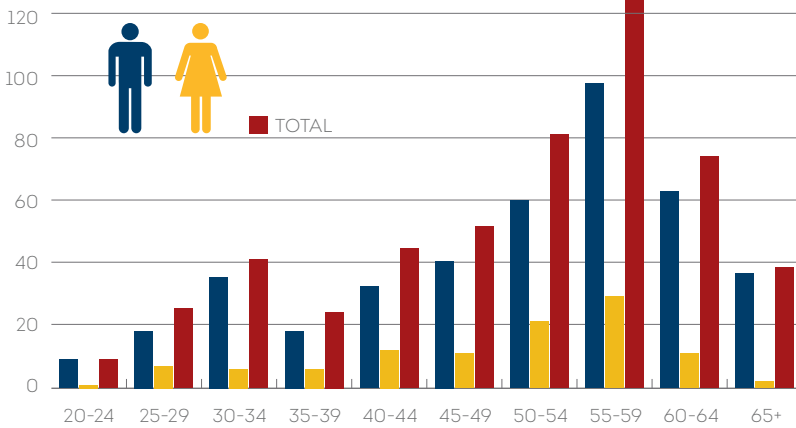
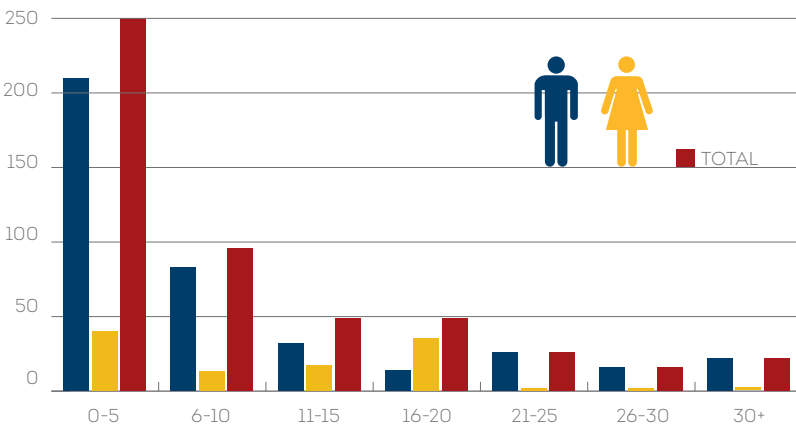


Figure 6: Employee age profile



“ Safety continues to be our highest priority and one of our core values. ”

Figure 7: Years of service



Workforce Development

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

Eleven Metro employees undertook or completed VET nationally credited training during 2017-18.

Metro delivered significant training in 2017-18, and engaged external professional development in areas of focus including return to work coordination, Mercer CED evaluation, and workplace first aid.

Metro is actively working on building a more inclusive workforce that better reflects the diversity of our broader community.

Apprenticeships and Traineeships

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

Safety Performance

We strive to maintain a systematic, comprehensive and consistent approach to managing safety throughout the business, and acknowledge that employee engagement is essential to this maturity. Underpinning this is a sustained focus on improving our safety awareness, capability, ownership and leadership.

Safety continues to be our highest priority and one of our core values.

Over the last twelve months we have maintained a strong focus on mental health as part of an overall approach to safety and wellbeing, including the implementation of a Mental Health and Wellness Plan in consultation and coordination with our employees.



Our customers

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

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

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

Average monthly visits to the Metro Shop



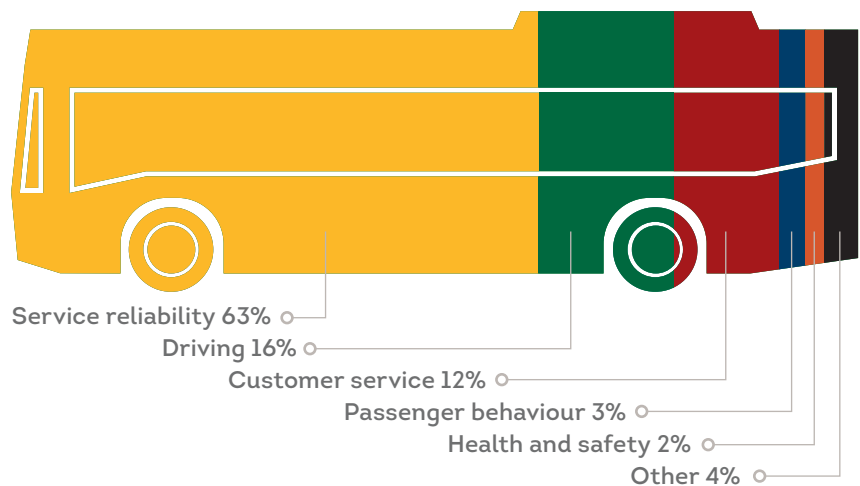
10,440

Compliments



247

Figure 8: Breakdown of complaints



Customer survey

600
CUSTOMERS
SURVEYED



70%
HOBART

20%
LAUNCESTON

10%
BURNIE



Overall satisfaction
74%



Satisfaction with Bus Operators
80%



Satisfaction with personal safety
84%



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



47%
Study



45%
Shopping



36%
Work



31%
Visit friends or relatives



30%
Sport or entertainment



17%
Health or welfare



18%
Other

percentages may not sum to 100% due to rounding



Board of Directors

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

Michael Harris (Chair)

Mr Michael Harris was appointed Director on 20 December 2013 and Chair on 19 December 2016. He is also a Panel Chair of the Review of the Fire Services Act. Michael is a former CEO of the Australian Automobile Association and has worked as the CEO of the ACT Chief Minister's Department, and as Director-General of Transport in WA. In the ACT public sector he held the positions of Under Treasurer and CEO of the ACT Department of Treasury. Michael holds a Bachelor of Economics from the University of Tasmania. He is a Fellow of the Australian Institute of Management, a member of the Chartered Institute of Logistics and Transport and a member of the Australian Institute of Company Directors.

Tim Gardner (Deputy Chair)

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

Nick Burrows

Mr Nick Burrows was appointed Director on 20 December 2013. He is also a Director of Clean Seas Seafood Limited, PFG Group Pty Ltd, MIC Pty Ltd, Taswater and Australian Seafood Industries Pty Ltd. He is also a member of the Tourism Tasmania Audit, Finance and Risk Committee, and chairs Kingborough Council's Audit Panel and Ta Ann Tasmania Pty Ltd Audit and Risk Committee.

Nick was the Chief Financial Officer and Company Secretary at Tassal Group Limited until 2009 when he established his own business providing corporate governance and financial restructuring advice to clients. He is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Accountants of Australia, Governance Institute of Australia and of the Financial Services Institute of Australasia.

Jude Munro AO

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

Susan Fahey

Ms Susan Fahey was appointed Director on 19 December 2016. She is a Barrister and Solicitor and is also the CEO of Women's Legal Services Tasmania. She is a member of the Tasmanian Government Family Violence Consultative Group, National Association of Community Legal Centres Advisory Committee and chairs the Regional Committee of the Pinnacle Foundation. She is also a University Associate at the Faculty of Law at the University of Tasmania.



Directors' Report

The Directors of Metro Tasmania Pty Ltd present the annual financial report for the year ended 30 June 2018.

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 2018 the company incurred a loss before income tax of \$1.94 million (2017: loss of \$3.02 million) and an after tax loss of \$1.36 million (2017: loss of \$2.12 million). A detailed review of operations is contained in the Chair's Report on page 4 and in the CEO's Report on page 6.

Dividends

The Directors do not recommend payment of a dividend this year. No dividend was paid for the year ended 30 June 2017.

Changes in State of Affairs

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

Subsequent Events

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

Likely Future Developments

Metro will receive funding of \$4.5 million per annum over the 2018-19 Budget and Forward Estimates period as an equity contribution to fund the accelerated bus replacement program. This funding, together with the additional \$13 million received in 2015-16 and \$4.5 million received in 2016-17 and 2017-18 as equity contributions will be used to fund Metro's bus replacement program over the next three years.

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 2017-18 year.

Directors

The names of the Directors during the financial year are set out in Note 20 of the Financial Statements. The names of current Directors and details of their qualifications and experience appear on page 16. 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 Michael Harris

Mr Harris was appointed a Director in December 2013 and became Chair on 19 December 2016. Mr Harris is a member of Metro's People and Culture Committee.

Current term: 19 December 2016 – 30 November 2019

Mr Tim Gardner

Mr Gardner was appointed in December 2015 and is a member of Metro's People and Culture Committee and Audit and Risk Committee.

Current term: 22 December 2015 – 30 November 2018

Mr Nick Burrows

Mr Burrows was appointed in December 2013 and is a member of Metro's Audit and Risk Committee.

Current term: 22 December 2015 – 30 November 2018

Ms Jude Munro

Ms Munro was appointed in December 2016 and is a member of Metro's People and Culture Committee.

Current term: 19 December 2016 – 30 November 2020

Ms Susan Fahey

Ms Fahey was appointed in December 2016 and is a members of Metro's Audit and Risk Committee.

Current term: 19 December 2016 – 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 20 of the Financial Statements. During the twelve months, no Director has received, or become entitled to receive, a benefit by reason of a contract made by the company with a Director or with a firm of which he or she is a member or an entity in which he or she has a financial interest.

Remuneration for 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*, with the exception of the proposed STI payment to the CEO. At the time of signing the Financial Statements, this matter was being discussed with the Shareholder Ministers.

Board and Committee Meetings

The number of meetings (Board and Committee meetings) attended by each Director during the financial year ended 30 June 2018 are:

Director	Board		Audit and Risk Committee		People and Culture Committee	
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended
Michael Harris	12	12	-	-	4	4
Tim Gardner	12	10	6	5	4	4
Nick Burrows	12	12	6	6	-	-
Jude Munro	12	8	-	-	4	3
Susan Fahey	12	11	6	5	-	-

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

Indemnification of Directors and Officers

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

Superannuation Declaration

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

benefit scheme, under the *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.

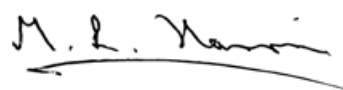
Auditor's Independence Declaration

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 23.

Rounding Off of Amounts

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

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



Michael Harris
Chair

9 August 2018

Corporate Governance

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 16 and 18.

The roles and responsibilities of Directors are set out in their letters of appointment, the Board Charter and Matters Reserved for the Board document.

The Board has delegated the authority to manage the day to day operations to the CEO, subject to specific delegations and limits, as outlined in the Board approved Delegations of Authority Manual.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The value of diversity is embedded in organisational policies and practices and Metro's Code of Conduct. The Board is committed to complying with the Government's policy of gender equity on Boards by 2020.

The Board Charter requires reviews of the Board, its Committees and Directors in line with the *Tasmanian Business Guidelines – Assessing Board Performance*. An internal evaluation was conducted in late 2017, with recommendations from this appraisal implemented with oversight by the Board and Company Secretary. An external independent review will normally be conducted every three years, and one is scheduled for 2018.

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 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 16 and 18.

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 – Act ethically and responsibly

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

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

Principle 4 – Safeguard integrity in financial reporting

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 page 18.

The Committee reviews the annual financial statements and recommends them to the Board for consideration. As part of the end-of-year processes, the CEO and CFO provide the required declarations under section 295A of the *Corporations Act 2001*.

Metro's external auditor is the Tasmanian Auditor-General and members confirm the appointment at each AGM. The Auditor-General or his representatives attend meetings of the Audit and Risk Committee from time to time, and attend the annual AGM.

Principle 5 – Make timely and balanced disclosure

The Chair, CEO and Company Secretary regularly meet with Shareholder Ministers to provide briefings on key strategic issues and developments.

Details about disclosures made under the *Right to Information Act 2009* and the *Public Interest Disclosures Act 2002* are set out on page 20.

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 page 18.

Metro's Risk Management Framework is approved and overseen by the Board. The Audit and Risk Committee monitors current and emerging risks and that status of plans and controls to manage those risks.

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

Principle 8 – Remunerate fairly and responsibly

The Board has established a People and Culture Committee that oversees remuneration practices and policies in relation to Executive Managers and other staff of the company.

The Committee comprises three Directors and is chaired by an independent Director who is not a Chair of the Board. Membership of the Committee and meeting attendances for the year are set out on page 18.

The Committee makes recommendations to the Board on the remuneration packages to be awarded to the Executive Management Team, which is consistent with the *Guidelines for Tasmanian Government Businesses - Director and Executive Remuneration*, dated July 2018. The Financial Statements detail the remuneration of Directors and Executives and its composition on pages 53 and 54.

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:

- a) Metro's procedures are available on our website metrotas.com.au as per the Act.
- b) No disclosures of public interest were requested of Metro during the year.
- c) No public interest disclosures were investigated by Metro during the year.
- d) No disclosed matters were referred by the Ombudsman to Metro during the year.
- e) No disclosed matters were referred to the Ombudsman to investigate by Metro during the year.

- f) No investigations of disclosed matters by Metro were taken over by the Ombudsman during the year.
- g) There were no disclosed matters substantiated on investigation as there were not any disclosed matters during the year.
- h) The Ombudsman made no recommendations under the Act that relate to Metro.

Right to Information

Metro received three Right to Information requests in 2017-18. All were dealt with as an Assessed Disclosure.

Buy Local

Under the *Guidelines for Tasmanian Government Businesses - Buy Local* dated September 2014, Metro is required to establish appropriate reporting regimes in relation to purchases, consultants and the engagement of Tasmanian businesses and provide details of these annually.

A "Tasmanian business" is a business operating in Tasmania which has a permanent office or presence in Tasmania and employs Tasmanian workers. Purchases are defined as operating expenses (excluding employment, finance and depreciation expenses) and capital expenditure.

The following tables meet the reporting requirements of the Guideline.

Purchases from Tasmanian businesses	
% of purchases from Tasmanian businesses	82.57
Value of purchases from Tasmanian businesses	\$28,669,429

Consultancies valued at more than \$50,000 (ex GST)				
Name of consultant	Location	Description	Period of engagement	Amount
Page Seager	Tasmania	Legal Services	July 2017-June 2018	\$76,904
Deloitte	Tasmania	Internal Audit Services	July 2017-June 2018	\$65,587
Total				\$142,491
There were 12 consultants engaged for \$50,000 or less totalling				\$116,507
Total Payments to Consultants				\$258,998

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	27
Number of accounts due for payment	8,156
Number of accounts paid on time	7,808
Amounts due for payment	\$33,894,363
Amounts paid on time	\$33,396,650
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	\$0

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

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

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

Key Performance Targets

Financial targets	2017-18 target	2017-18 actual	Status
Operating profit/(loss) before tax (\$'000)	better than (3,423)	(1,936)	●
Fares revenue (\$'000)	12,320	12,639	●
Total cost per service kilometre (\$)	6.11	5.94	●
% reduction in corporate overheads	0.5	5	●

Non-financial targets	2017-18 target	2017-18 actual	Status
Network effectiveness			
Patronage ('000 first boardings)	8,124	8,288	●
First boardings per service kilometre	0.90	0.90	●
% of boardings made with a Greencard	81	82	●
Operator efficiency			
% of trips delivered	99	100	●
% of trips delivered on time	85	88	●
% of general access services delivered by DDA compliant buses	66	67	●
% of kilometres that are out of service (dead running)	18	18	●
% of rostered hours that are bus hours (under time hours)	1.37	0.77	●
Service quality			
% overall passenger satisfaction (from Customer Satisfaction Survey)	73	74	●
Number of complaints per 100,000 service kilometres	20	17	●
Safety			
At fault vehicle accidents per 100,000 kilometres	4.3	3.4	●
Lost Time Injury Frequency Rate	<5	14.5	●

Performance Commentary

Metro achieved strong financial and operational performance in 2017-18 with 15 out of 16 key performance indicators met or exceeded during the year. Metro exceeded its projected financial targets and achieved the majority of its operational key performance indicators.

The Lost Time Injury Frequency Rate indicator was not met in 2017-18. A lost time injury (LTI) is recorded whenever an employee requires any time away from work, and Metro's procedures focus on ensuring an employee is healthy and prepared to return to work following any injury, including those resulting from non-physical incidents. Metro will continue to look for opportunities to promote safety in the workplace, and our emphasis on prevention through health and wellbeing, with a view to reducing the number of LTIs by improving Metro employees' overall fitness for work, will continue.

Auditor's Independence Declaration



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

9 August 2018

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

Dear Board Members

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Metro Tasmania Pty Ltd for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely



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

...1 of 1

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Directors' Declaration

METRO TASMANIA PTY LTD

DIRECTORS' DECLARATION

1. In the opinion of the Directors of the Consolidated Entity:
 - (a) the Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 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 2018.
3. The Directors draw attention to Note 2(a) to the Consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:


.....
Michael Harris

Chair


.....
Nick Burrows

Director

9 August 2018

Independent Audit Report



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 Metro Tasmania Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In my opinion, the accompanying financial report of the 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 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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Independent Audit Report

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

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

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 12, 14 and 25</i></p>	
---	--

The Company's bus fleet, \$27.23m, land, \$8.45m, and buildings, \$6.85m, are independently revalued every three years.

In determining the value of bus, land and buildings, the Company exercises significant judgement and the valuation is highly dependent on a range of assumptions and estimates. For these reasons, the valuation of buses, land and buildings is an area requiring particular audit attention.

Calculation of depreciation of buses and buildings includes estimation of useful lives and residual values which involves a high degree of subjectivity.

Changes in assumptions underlying depreciation calculations can significantly impact the depreciation charged.

- Evaluating indexation analysis for land and buildings between formal valuations.
- Testing additions and disposals throughout the year.
- Testing the classification of capital and maintenance costs.
- Assessing depreciation expenses for each class of asset.
- Challenging management's assessment of useful lives of buildings and buses.
- Evaluating management's assessment of impairment.
- Assessing the adequacy of relevant disclosures in the financial report.

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Independent Audit Report

Defined benefit obligation

Refer to notes 15 and 28

The Company had employees who were members of a defined benefit superannuation scheme. The Company's obligation under this scheme (less fair value of plan assets) was recognised in the statement of financial position and was valued at \$22.51m at 30 June 2018.

The value of the superannuation liability is significant and its estimation involves complex judgements about future events.

- Assessing the competence of the State actuary that performed the valuation.
- Evaluating information provided to the actuary.
- Engaging an independent expert to assist me to evaluate the reasonableness of the assumptions used by the State Actuary in determining the liability.
- Assessing the adequacy of relevant disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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.

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Independent Audit Report

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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Independent Audit Report

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

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



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

Tasmanian Audit Office

9 August 2018
Hobart

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Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	25,994	25,163
Trade and other receivables	8	416	413
Inventories	9	2,168	1,970
Assets held for sale	10	185	108
Other current assets	11	982	809
TOTAL CURRENT ASSETS		29,745	28,463
NON-CURRENT ASSETS			
Property, plant and equipment	12	48,261	44,689
Intangible assets	13	173	239
Deferred tax assets	6(d)	9,291	9,205
TOTAL NON-CURRENT ASSETS		57,725	54,133
TOTAL ASSETS		87,470	82,596
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	5,821	5,397
Employee benefits	15	5,546	5,237
TOTAL CURRENT LIABILITIES		11,367	10,634
NON-CURRENT LIABILITIES			
Employee benefits	15	22,422	23,169
Deferred tax liabilities	6(d)	2,438	2,534
TOTAL NON-CURRENT LIABILITIES		24,860	25,703
TOTAL LIABILITIES		36,227	36,337
NET ASSETS		51,243	46,259
EQUITY			
Contributed equity	16	37,503	33,003
Asset revaluation reserves	17	14,346	12,751
Retained profits / (losses)	18	(606)	505
TOTAL EQUITY		51,243	46,259

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 2018

	Note	2018 \$'000	2017 \$'000
REVENUE			
Passenger transport operations	4(a)	51,653	49,918
Other income	4(b)	982	783
Financial income	4(c)	578	531
		53,213	51,232
EXPENSES			
Passenger transport operations	5(a)	(40,031)	(39,365)
Engineering and maintenance services	5(b)	(7,319)	(7,566)
Administration and general	5(c)	(6,824)	(6,400)
Finance costs	5(d)	(975)	(918)
		(55,149)	(54,249)
Profit/(loss) before income tax		(1,936)	(3,017)
Income tax(expense)/benefit	6(a)	579	901
Profit/(loss) for the year		(1,357)	(2,116)

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 2018

	Note	2018 \$'000	2017 \$'000
Profit/(loss) for the year		(1,357)	(2,116)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net asset revaluation increment/(decrement)	12(b)	1,620	(129)
Actuarial gain/(loss) on defined benefit plan	28	618	3,849
Income tax on other comprehensive income	6(c)	(397)	(1,116)
Total other comprehensive income for the year, net of income tax		1,841	2,604
Total comprehensive income for the year		484	488

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 2018

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

For the year ended 30 June 2017

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

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 2018

	Note	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales and service contracts		54,995	52,196
Interest received		594	531
Cash paid to suppliers and employees		(52,728)	(50,167)
Net cash from operating activities	22(a)	2,861	2,560
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		107	114
Acquisition of property, plant and equipment		(6,637)	(4,675)
Net cash used in investing activities		(6,530)	(4,561)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity contribution		4,500	4,500
Net cash from financing activities		4,500	4,500
Net increase/(decrease) in cash and cash equivalents		831	2,499
Cash and cash equivalents at the beginning of the financial year		25,163	22,664
Cash and cash equivalents at the end of the financial year	22(b), 7	25,994	25,163

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

Notes to the Financial Statements

Note 1. REPORTING ENTITY

Metro Tasmania Pty Ltd (the "Company") is a Tasmanian State Owned Company domiciled in Australia. The address of the Company's registered office is 212 - 220 Main Road, Moonah, Tasmania. The Consolidated Financial Statements as at and for the year ended 30 June 2018 comprise the Company and its subsidiary Metro Coaches (Tas) Pty Ltd (together referred to as "Metro").

Note 2. BASIS OF PREPARATION

(a) Statement of Compliance

The Consolidated Financial Statements are in accordance with:

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

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

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 9 August 2018.

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

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

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

(d) Judgements and Assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

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

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

Notes to the Financial Statements

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

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

Impact of new and revised Accounting Standards

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

Impact of new and revised Accounting Standards yet to be applied

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

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

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

Metro has assessed the impact and concluded that there will be no financial impact on the financial statements.

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

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

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

A review of the impact of this standard has been undertaken and management expects that it will not have a material impact on the financial statements.

- AASB 16 *Leases* (effective from 1 January 2019)

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

A full review of the impact of this standard has been undertaken and management expects that it will not have a material impact on the financial statements. Refer to Note 19 for lease commitments.

Note 3. SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Consolidation**

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

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

(b) **Goods and Services Tax (GST)**

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

Notes to the Financial Statements

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

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

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

(c) Revenue

Passenger transport operations revenue

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

Service contract revenue is recognised when received.

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

Other income

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

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

Financial income

Interest is recognised as it accrues.

(d) Cash and Cash Equivalents

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

(e) Trade and Other Receivables

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

(f) Assets held for sale

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

(g) Trade and Other Payables

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

(h) Financial Instruments

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

Notes to the Financial Statements

Recognition and initial measurement

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

(i) Loans and receivables

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

(ii) Financial liabilities

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

(i) Inventories

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

(j) Property, Plant and Equipment

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

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

Revaluations

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

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

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

Depreciation

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

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

Land is not depreciated.

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

Notes to the Financial Statements

(k) Impairment of Assets

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

(l) Intangible Assets

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

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

Licences	4 years
Computer software	4 years

(m) Leases

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

(n) Employee Benefits

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

Compensated benefits

Annual leave

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

Long service leave

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

Retirement benefits

Defined benefit superannuation plan

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

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

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

Notes to the Financial Statements

(o) Provisions

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

Dividends

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

(p) Income Tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

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

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

(q) Tax Consolidation

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

(r) Segment Reporting

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

Notes to the Financial Statements

	2018 \$'000	2017 \$'000
Note 4. REVENUE		
(a) Passenger transport operations		
Service contracts	39,014	37,793
Ticket fares	12,639	12,125
	51,653	49,918
(b) Other income		
Profit on disposal of property, plant and equipment	32	57
Advertising income	569	545
Rental income	6	8
Other income	375	173
	982	783
(c) Financial income		
Interest income	578	531
	578	531
Total income	53,213	51,232

	2018 \$'000	2017 \$'000
Note 5. EXPENSES		
(a) Passenger transport operations		
Fuel	4,638	4,261
Employee and related expenses	28,401	28,060
Depreciation and amortisation expenses	3,850	3,592
Other expenses	3,142	3,452
	40,031	39,365
(b) Engineering and maintenance services		
Maintenance expense	4,477	4,510
Employee and related expenses	2,514	2,751
Depreciation and amortisation expenses	328	305
	7,319	7,566
(c) Administration and general		
Employee and related expenses	3,785	3,522
Depreciation and amortisation expenses	422	424
Other expenses	2,617	2,454
	6,824	6,400
(d) Finance costs		
Actuarial interest costs	975	918
	975	918
Total expenses	55,149	54,249

Notes to the Financial Statements

	2018 \$'000	2017 \$'000
Note 6. INCOME TAX		
(a) Income tax expense recognised in the Statement of Profit or Loss		
Current tax expense		
Current tax	(135)	(259)
Deferred tax expense		
Decrease/(increase) in deferred tax asset	49	872
Increase/(decrease) in deferred tax liability	(96)	(398)
Less recognised directly in equity	(397)	(1,116)
Income tax expense/(benefit)	(579)	(901)
(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% (2017: 30%)	(581)	(905)
Add tax effect of:		
Entertainment (non-deductible)	2	4
	(579)	(901)
(c) Income tax expense recognised directly to equity		
Property, plant and equipment (Note 17)	-	39
Superannuation (Note 18)	(397)	(1,155)
	(397)	(1,116)
(d) Non-current and deferred tax balances		
Assets:		
Deferred tax assets	9,291	9,205
	9,291	9,205
Liabilities:		
Deferred tax liability	2,438	2,534
	2,438	2,534
	6,853	6,671

Notes to the Financial Statements

Note 6. INCOME TAX (continued)

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

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

Notes to the Financial Statements

	2018	2017
	\$'000	\$'000
Note 7. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	1,747	2,622
Call deposit at Tascorp	3,247	4,681
Term deposits	21,000	17,860
	25,994	25,163

	2018	2017
	\$'000	\$'000
Note 8. TRADE AND OTHER RECEIVABLES		
Trade receivables	155	177
Other receivables	261	236
	416	413

	2018	2017
	\$'000	\$'000
Note 9. INVENTORIES		
Inventories	2,173	2,062
Less provision for obsolescence	(5)	(92)
	2,168	1,970

	2018	2017
	\$'000	\$'000
Note 10. ASSETS HELD FOR SALE		
Property, plant and equipment	185	108
	185	108

Assets held for sale relates to 38 buses (2017: 16 buses) and are expected to be settled within 12 months. The level 2 fair value of the buses as at 30 June 2018 is \$185,000 (2017: \$108,000).

	2018	2017
	\$'000	\$'000
Note 11. OTHER CURRENT ASSETS		
Prepayments	982	809
	982	809

Notes to the Financial Statements

Note 12. PROPERTY, PLANT AND EQUIPMENT	2018	2017
	\$'000	\$'000
(a) Carrying amounts		
Land and buildings		
Land		
At fair value	8,450	7,535
Total	8,450	7,535
Buildings		
At fair value	6,850	6,328
Less: accumulated depreciation	-	(314)
Total	6,850	6,014
Total land and buildings	15,300	13,549
Buses		
At fair value	33,333	27,225
Less: accumulated depreciation	(6,101)	(2,969)
Total	27,232	24,256
Route infrastructure		
At cost	3,647	3,525
Less: accumulated depreciation	(2,566)	(2,391)
Total	1,081	1,134
Office equipment		
At cost	1,726	1,717
Less: accumulated depreciation	(1,457)	(1,355)
Total	269	362
Electronic ticketing & communication equipment		
At cost	5,098	5,092
Less: accumulated depreciation	(4,329)	(3,817)
Total	769	1,275

Notes to the Financial Statements

Note 12. PROPERTY, PLANT AND EQUIPMENT (continued)	2018 \$'000	2017 \$'000
CCTV Equipment		
At cost	1,467	1,376
Less: accumulated depreciation	(1,305)	(1,267)
Total	162	109
Plant and equipment		
At cost	1,703	1,538
Less: accumulated depreciation	(922)	(831)
Total	781	707
Auxiliary vehicles		
At cost	400	425
Less: accumulated depreciation	(205)	(170)
Total	195	255
Work in progress		
At cost	2,472	3,042
Total	2,472	3,042
Total property, plant and equipment	48,261	44,689

Notes to the Financial Statements

Note 12. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Reconciliation of movements in carrying amounts

2018	Land	Buildings	Buses	Route	Office	Electronic	CCTV	Plant and	Auxiliary	Work in	Total
	at fair value	at fair value	at fair value	infra-structure	equipment	ticketing and communication	equipment	equipment	vehicles	progress	
	\$'000	\$'000	\$'000	at cost	at cost	at cost	at cost	at cost	at cost	at cost	\$'000
Carrying amount at 1 July	7,535	6,014	24,256	1,134	362	1,275	109	707	255	3,042	44,689
Additions	-	-	3,852	129	56	6	91	182	56	2,216	6,588
Disposals	-	-	(27)	(3)	-	-	-	(2)	(23)	-	(55)
Revaluation increments/(decrements)	915	988	-	-	-	-	-	-	-	-	1,903
Impairment losses	-	-	(283)	-	-	-	-	-	-	-	(283)
Net transfers	-	-	2,678	-	-	-	-	-	-	(2,786)	(108)
Depreciation	-	(152)	(3,244)	(179)	(149)	(512)	(38)	(106)	(93)	-	(4,473)
Carrying amount at 30 June	8,450	6,850	27,232	1,081	269	769	162	781	195	2,472	48,261

2017	Land	Buildings	Buses	Route	Office	Electronic	CCTV	Plant and	Auxiliary	Work in	Total
	at fair value	at fair value	at fair value	infra-structure	equipment	ticketing and communication	equipment	equipment	vehicles	progress	
	\$'000	\$'000	\$'000	at cost	at cost	at cost	at cost	at cost	at cost	at cost	\$'000
Carrying amount at 1 July	7,535	6,170	26,823	1,168	281	1,752	50	466	260	-	44,505
Additions	-	-	722	138	213	31	82	328	152	3,042	4,708
Disposals	-	-	(14)	-	-	-	-	-	(49)	-	(63)
Revaluation increments/(decrements)	-	-	(129)	-	-	-	-	-	-	-	(129)
Impairment losses	-	-	(34)	-	-	-	-	-	-	-	(34)
Net transfers	-	-	(108)	-	-	-	-	-	-	-	(108)
Depreciation	-	(156)	(3,004)	(172)	(132)	(508)	(23)	(87)	(108)	-	(4,190)
Carrying amount at 30 June	7,535	6,014	24,256	1,134	362	1,275	109	707	255	3,042	44,689

Notes to the Financial Statements

Note 12. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

The Metro fleet was valued based on the assumption that the business is a continuing one and is based on level 2 inputs - sale prices of a comparable bus at the same age and type. The depreciation profile is based on a diminishing value method incorporating a 30 year life with a 2% residual value.

An independent fair value valuation of land and buildings was performed as at 30 June 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 2018 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair Value as at 30 June 2018 \$'000
Buses		27,232		27,232
Land and buildings		15,300		15,300

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

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

	2018 \$'000	2017 \$'000
Buses	21,512	17,340
Land and buildings	7,594	7,708

Notes to the Financial Statements

	2018 \$'000	2017 \$'000
Note 13. INTANGIBLE ASSETS		
(a) Carrying amounts		
Computer software		
At cost	1 324	1 263
Less: accumulated amortisation	(1,151)	(1,024)
Total	173	239
Total intangibles	173	239
(b) Reconciliation of movements in carrying amounts		
Carrying amount at 1 July	239	336
Additions- other development	61	35
Disposals	-	-
Amortisation	(127)	(132)
Carrying amount at 30 June	173	239
Note 14. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	5,299	4,971
Employee benefits oncosts	522	426
	5,821	5,397
Note 15. EMPLOYEE BENEFITS		
Current:		
Retirement benefits	1,346	1,062
Compensated benefits:		
Accrued salaries and wages	719	800
Annual leave	1,429	1,376
Long service leave	2,052	1,999
	5,546	5,237
Non-current:		
Retirement benefits	21,163	21,965
Compensated benefits:		
Long service leave	1,259	1,204
	22,422	23,169
	27,968	28,406
Note 16. CONTRIBUTED EQUITY		
Balance at beginning of financial year	33,003	28,503
Equity contribution	4,500	4,500
Balance at end of financial year	37,503	33,003

Notes to the Financial Statements

Note 17. ASSET REVALUATION RESERVES

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

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

The asset revaluation reserves are used to record increments and decrements on the revaluation of non-current assets. Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset is transferred to retained profits.

Note 18. RETAINED PROFITS

	2018	2017
	\$'000	\$'000
Balance at beginning of financial year	505	(155)
Net profit/(loss)	(1,357)	(2,116)
Revaluation increments (decrements) attributable to assets disposed of during the year	25	82
Defined benefit plan actuarial gains/(losses)	618	3,849
Related income tax	(397)	(1,155)
Balance at end of financial year	(606)	505

Note 19. COMMITMENTS FOR EXPENDITURE

	2018	2017
	\$'000	\$'000
Capital commitments:		
Payments within 1 year	15,423	8,557
Payments 1-5 years	26,920	39,222
	42,343	47,779
Operating lease commitments:		
Payments within 1 year	173	188
Payments 1-5 years	258	366
	431	554
Other commitments:		
Payments within 1 year	1,668	3,131
Payments 1-5 years	43	1,711
	1,711	4,842

Notes to the Financial Statements

Note 20. RELATED PARTIES

Key Management Personnel compensation

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

	Director Remuneration		Executive Remuneration		Consolidated	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	165	165	994	1,123	1,159	1,288
Post-employment benefits	13	14	87	100	100	114
Termination Benefits	-	-	22	268	22	268
	178	179	1,103	1,491	1,281	1,670

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

(a) Director Remuneration

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

2018 Director Remuneration¹

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

2017 Director Remuneration¹

Name	Position	Period	Directors' Fees	Committee Fees	Superannuation ²	Other benefits ³	Total
			\$'000	\$'000			
Non-Executive Directors							
Mr Michael Harris	Chair	Full term	40	-	4	3	47
Mr Tim Gardner	Deputy Chair	Full term	26	-	2	-	28
Ms Lynn Mason	Chair	To 19/12/2016	26	-	2	3	31
Mr Geoffrey Hazell	Deputy Chair	To 19/12/2016	12	-	1	-	13
Ms Susan Fahey	Director	From 19/12/2016	14	-	1	-	15
Ms Jude Munro	Director	From 19/12/2016	14	-	1	-	15
Mr Nick Burrows	Director	Full term	26	-	3	1	30
Total			158	-	14	7	179

Board remuneration notes and statements

¹ Amounts are all forms of consideration paid.

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

³ Other benefits includes travel allowances.

Notes to the Financial Statements

Note 20. RELATED PARTIES (Continued)

(b) Executive Remuneration

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

2018 Executive Remuneration

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

Notes to the Financial Statements

Note 20. RELATED PARTIES (Continued)

(b) Executive Remuneration (Continued)

2017 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	Total Remuneration Package \$'000	Termination Benefits ⁶ \$'000	Other Non-Monetary Benefits ⁷ \$'000	Other Long Term Benefits ⁸ \$'000	Totals \$'000
Mr Stuart Wiggins	Chief Executive Officer	To 10/05/2017	139	-	13	24	-	176	268	-	(29)	415
Mrs Anita Robertson	Chief Financial Officer	Full year	157	23	17	22	-	219	-	-	1	220
Mr Alan Pedley	Chief Operating Officer	Full year	170	21	18	14	-	223	-	-	2	225
Mr Ian Ward	General Manager Infrastructure and Engineering	Full year	141	19	16	-	-	176	-	-	6	182
Mrs Stacey Hogarth	General Manager People and Safety	From 27/06/2016	137	6	14	11	-	168	-	-	11	179
Ms Megan Morse	General Manager Business Improvement Services	Full year	80	12	8	-	-	100	-	-	-	100
Sub-total			824	81	86	71	-	1,062	268	-	(9)	1,321
Acting arrangements												
Ms Megan Morse	Acting Chief Executive Officer	From 20/12/2016	125	13	14	-	-	152	-	-	18	170
Sub-total			125	13	14	-	-	152	-	-	18	170
Total			949	94	100	71	-	1,214	268	-	9	1,491

Executive Remuneration Notes and Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

Note 20. RELATED PARTIES (Continued)

(c) Remuneration Principles

Non-Executive Directors

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

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

Executive Remuneration

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines, dated 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 up to 1 month prior to termination of the contract, with the exception of the CEO and CFO where the minimum notice period is 3 months.

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

Short term incentive payments

The Board sets fixed performance targets with goals and indicators aligned to the creation of value. Short term incentive payments awarded during the current year included:

- Ms Morse was granted a cash bonus of \$20,659 for better than budget financial performance, improved safety targets and reaching individual corporate plan targets for the year
- Mrs Robertson was granted a cash bonus of \$15,842 for better than budget financial performance, improved safety targets and reaching individual corporate plan targets for the year
- Mr Ward was granted a cash bonus of \$12,949 for better than budget financial performance, improved safety targets and reaching individual corporate plan targets for the year
- Mrs Hogarth was granted a cash bonus of \$12,251 for better than budget financial performance, improved safety targets and reaching individual corporate plan targets for the year

Termination benefits

Termination payments during the current year included:

- Mr A Pedley ceased employment effective 10 August 2017 and was paid \$22,000 representing the balance of his accrued annual leave (\$7,134), plus 4 weeks salary in lieu of notice (\$14,866).

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, Ms Morse, Mr Arkley and Mr Breen were appointed to the above 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

	2018 \$'000	2017 \$'000
Note 21. REMUNERATION OF AUDITORS		
External audit services	56	53
Internal audit services	66	53
	122	106

The Company paid \$55,550 to the Tasmanian Audit Office for the audit of the consolidated financial statements.

	2018 \$'000	2017 \$'000
Note 22. CASH FLOW STATEMENT		
(a) Reconciliation of cash flow with profit after income tax		
Profit/(loss) after income tax	(1,357)	(2,116)
Add (less) non cash items:		
Depreciation	4,473	4,190
Amortisation	127	132
Income tax expense	(579)	(901)
Impairment of buses	-	34
Loss/(profit) on sale of non-current assets	(32)	(57)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(3)	19
(Increase)/decrease in inventories	(198)	(102)
(Increase)/decrease in other current assets	(173)	(135)
Increase/(decrease) in trade and other payables	327	517
Increase/(decrease) in provisions	276	979
Net cash inflow from operating activities	2,861	2,560
(b) Reconciliation of cash		
Cash at bank and on hand	1,747	2,622
Call deposit at Tascorp	3,247	4,681
Term deposits	21,000	17,860
Cash as per Consolidated Statement of Cash Flows	25,994	25,163
(c) Credit and standby facilities		
Borrowing limit	3,000	3,000
Credit cards facility limit	20	20
Less used/committed	-	-
Balance of credit facility available	3,020	3,020

Notes to the Financial Statements

Note 23. FINANCIAL INSTRUMENTS

Financial risk management policies

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

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

Financial risk exposures and management

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

(a) Credit risk

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

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

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

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

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

	0 days past due		1-30 days past due		31-90 days past due		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:								
Receivables	414	398	1	7	1	8	416	413

(b) Liquidity risk

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

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

Notes to the Financial Statements

Note 23. FINANCIAL INSTRUMENTS (continued)

Financial liability and Financial asset maturity analysis:

	Weighted average effective interest rate		Floating interest rate		Fixed Interest Rate		Non-interest bearing		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:										
Cash at bank	0.75	1.10	1,747	2,622	-	-	-	-	1,747	2,622
Call deposit at Tascorp	1.78	1.82	3,247	4,681	-	-	-	-	3,247	4,681
Term deposit at CBA	-	2.50	-	-	-	12,000	-	-	-	12,000
Term deposit at CBA	-	2.39	-	-	-	1,360	-	-	-	1,360
Term deposit at WBC	2.62	2.62	-	-	4,500	4,500	-	-	4,500	4,500
Term deposit at WBC	2.62	-	-	-	4,500	-	-	-	4,500	-
Term deposit at CBA	2.47	-	-	-	2,000	-	-	-	2,000	-
Term deposit at CBA	2.52	-	-	-	1,500	-	-	-	1,500	-
Term deposit at CBA	2.64	-	-	-	1,000	-	-	-	1,000	-
Term deposit at CBA	2.64	-	-	-	1,500	-	-	-	1,500	-
Term deposit at CBA	2.67	-	-	-	2,500	-	-	-	2,500	-
Term deposit at CBA	2.69	-	-	-	1,500	-	-	-	1,500	-
Term deposit at CBA	2.71	-	-	-	1,500	-	-	-	1,500	-
Term deposit at CBA	2.73	-	-	-	500	-	-	-	500	-
Receivables	-	-	-	-	-	-	416	413	416	413
			4,994	7,303	21,000	17,860	416	413	26,410	25,576

All term deposits mature prior to 30 June 2019 (i.e. within one year)

	Weighted average effective interest rate		Floating interest rate		Fixed Interest Rate Maturing				Non-interest Bearing		Total	
	2018	2017	2018	2017	Within 1 Year		1 to 5 Years		2018	2017	2018	2017
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities:												
Trade creditors and accruals	-	-	-	-	-	-	-	-	5,299	4,971	5,299	4,971
	-	-	-	-	-	-	-	-	5,299	4,971	5,299	4,971

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

	2018 \$'000	2017 \$'000
Less than 6 months	5,299	4,971
6 months to 1 year	-	-
1 - 5 years	-	-
	5,299	4,971

Notes to the Financial Statements

Note 23. FINANCIAL INSTRUMENTS (continued)

(c) Market risk

(i) Interest rate risk

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

Metro is not exposed to fluctuations in foreign currencies.

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

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

Sensitivity analysis:

At 30 June 2018, 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	
	2018 \$'000	2017 \$'000
Change in profit or loss		
- Increase in interest rate by 2%	543	527
- Decrease in interest rate by 2%	(543)	(527)
Change in equity		
- Increase in interest rate by 2%	543	527
- Decrease in interest rate by 2%	(543)	(527)

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

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

(d) Net fair values

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

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

(e) Financial instruments by categories

	CONSOLIDATED					
	2018 \$'000			2017 \$'000		
	Cash and cash balance Loans and receivables	Financial liabilities measured at amortised cost	Total	Cash and cash balance Loans and receivables	Financial liabilities measured at amortised cost	Total
Financial assets:						
Cash and cash equivalents	25,994	-	25,994	25,163	-	25,163
Receivables	416	-	416	413	-	413
	26,410	-	26,410	25,576	-	25,576
Financial liabilities:						
Trade creditors and accruals	-	5,261	5,261	-	4,970	4,970

(f) Capital risk management

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

Notes to the Financial Statements

Note 24. CONTINGENT LIABILITIES

After due investigation Metro has identified no material contingent liabilities.

Note 25. POST BALANCE DATE EVENTS

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

Note 26. ECONOMIC DEPENDENCY

A significant volume of Metro's operations is performed under contract to the State Government. At the date of signing the financial statements, Metro is in the process of seeking an extension of the contract with the State Government, which is due to expire at 31 December 2018.

In addition to this Metro received an additional \$4.5 million as an equity contribution (2017 \$4.5 million) to be used to fund Metro's bus replacement program over the next 3 years. Metro will receive funding of \$4.5 million per annum over the 2018-19 Budget and Forward Estimates period as an equity contribution to implement a Metro Bus Infrastructure capital initiative.

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

Note 27. CONTROLLED ENTITY

	Country of incorporation	Equity interest	
		2018	2017
Parent entity:			
Metro Tasmania Pty Ltd	Australia	-	-
Controlled entity:			
Metro Coaches (Tas) Pty Ltd	Australia	100%	100%

Note 28. SUPERANNUATION AND DEFINED BENEFITS PLAN

General Information

The following provides the information that is required to be disclosed in the notes to the financial statements for the year ended 30 June 2018 pursuant to AASB 119. The disclosures are set out in paragraphs 135-152 of the standard.

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

Fund Information

Nature of the benefits provided by the Scheme

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

Description of the regulatory framework

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

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

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

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

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

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

Notes to the Financial Statements

Note 28. SUPERANNUATION AND DEFINED BENEFITS PLAN (continued)

Description of risks

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

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

Description of significant events

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

Reconciliation of the Net Defined Benefit Liability/(Asset)

As at	30 June 2018 \$'000	30 June 2017 \$'000
Defined Benefit Obligation	28,221	28,626
(-) Fair value of plan assets	5,712	5,599
Deficit/(surplus)	22,509	23,027
(+) Adjustment for effect of asset ceiling	-	-
Net defined benefit liability/(asset)	22,509	23,027
Current net liability	1,346	1,062
Non-current net liability	21,163	21,965

Reconciliation of the Fair Value of Scheme Assets

Financial year ending	30 June 2018 \$'000	30 June 2017 \$'000
Fair value of plan assets at beginning of the year	5,599	5,028
(+) Interest income	237	172
(+) Actual return on plan assets less Interest income	238	631
(+) Employer contributions	1,156	1,012
(+) Contributions by plan participants	130	137
(-) Benefits paid	1,646	1,334
(-) Taxes, premiums & expenses paid	1	47
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Fair value of plan assets at end of the year	5,712	5,599

Notes to the Financial Statements

Note 28. SUPERANNUATION AND DEFINED BENEFITS PLAN (continued)

Reconciliation of the Defined Benefit Obligation

Financial year ending	30 June 2018	30 June 2017
	\$'000	\$'000
Present value of defined benefit obligations at beginning of the year	28,626	31,598
(+) Current service cost	281	400
(+) Interest cost	1,212	1,089
(+) Contributions by plan participants	130	137
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	-	(343)
(+) Actuarial (gains)/losses arising from changes in financial assumptions	153	(2,824)
(+) Actuarial (gains)/losses arising from liability experience	(533)	(51)
(-) Benefits paid	1,646	1,334
(-) Taxes, premiums & expenses paid	1	47
(+) Transfers in	-	-
(-) Contributions to accumulation section	-	-
(+) Past service cost	-	-
(+) Gain/loss on settlements	-	-
(+) Settlements	-	-
(+) Exchange rate changes	-	-
Present value of defined benefit obligations at end of the year	28,221	28,626

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 2018 [^]			
	Total (\$'000s)	Quoted prices in active markets for identical assets - Level 1 (\$'000s)	Significant observable inputs - Level 2 (\$'000s)	Unobservable inputs - Level 3 (\$'000s)
Equity securities	2,097	900	1,198	-
Unit Trusts	3,559	1,882	1,676	1
Direct property	54	-	54	-
Derivative assets	2	-	2	-
Total	5,712	2,782	2,929	1

[^]Estimated based on assets allocated to Metro as at 30 June 2018 and asset allocation of the RBF Scheme as at 30 June 2017.

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.

Assets are not held separately for each reporting entity but are held for the Fund as a whole. The fair value of Scheme assets for each reporting entity was estimated by allocating the total Fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in this report, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, we have used the Government Bond yield of 3.00%, in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

Notes to the Financial Statements

Note 28. SUPERANNUATION AND DEFINED BENEFITS PLAN (continued)

Significant Actuarial Assumptions at the Reporting Date

Financial year ending	30 June 2018	30 June 2017
Assumptions to Determine Defined Benefit Cost and Start of Year DBO		
Discount rate (active members)	4.35% pa	3.55% pa
Discount rate (pensioners)	4.35% pa	3.55% pa
Expected rate of increase of compulsory preserved amounts	3.00% pa	4.50% pa
Expected salary increase rate	3.00% pa	3.00% pa
Expected pension increase rate	2.50% pa	2.50% pa

Financial year ending	30 June 2018	30 June 2017
Assumptions to Determine End of Year DBO		
Discount rate (active members)	4.30% pa	4.35% pa
Discount rate (pensioners)	4.30% pa	4.35% pa
Expected salary increase rate	3.00% pa	3.00% pa
Expected rate of increase of compulsory preserved amounts	3.00% pa	3.00% pa
Expected pension increase rate	2.50% pa	2.50% pa

Sensitivity Analysis

The defined benefit obligation as at 30 June 2018 under several scenarios is presented below.

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

	Base Case	Scenario A -1% pa discount rate	Scenario B +1% pa discount rate	Scenario C -1% pa pension increase rate	Scenario D +1% pa pension increase rate
Discount rate	4.30% pa	3.30% pa	5.30% pa	4.30% pa	4.30% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined benefit obligation (\$'000s)	28,221	31,622	25,426	25,735	31,193

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	30 June 2019 \$'000
Expected employer contributions	1,346

Maturity profile of defined benefit obligation

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

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