

AG report No.4 of 2025-26

Key metrics for all PFNCs and PFCs can be accessed in the full report with references included below.

Q&As by the Auditor-General

Overall

1. In what way was 2024/25 a challenging year for GBEs?

Compared with last year, in aggregate:

- underlying profit was down 50% or \$136 million (*table 4, pages 13-14*)
- direct government support, which has more than doubled over the last three years, increased \$52.84 million since last year (*table 5, page 17*)
- equity contributions doubled, representing an increase of \$114.33 million (*table 8, pages 24-25*)
- returns to the government (dividends and other) were \$38.09 million lower than the previous year (*table 6, page 20*)
- borrowings were up by 19% or \$771.56 million (*table 7, page 23*).

2. What is the impact of the increased debt?

Interest expense increased from \$115.93 million in 2022-23 to \$209.87 million in 2024-25. With the growing level of borrowings in the foreseeable future, interest expense will continue to rise, further impacting PNFCs' profitability.

TT-Line

3. What were the reasonable grounds to suspect that TT-Line was insolvent?

During the audit of the company, I assessed the balance sheet, the level of debt that the company will be taking on to meet its contractual commitments relating to the Spirits' replacement project (including berth 3 in Devonport) and the current and future cash flow trends available to pay that debt. As an experienced company auditor, I developed reasonable grounds to suspect that the company would not be able to meet its longer-term debts after the vessels become operational.

4. Why did you sign your audit opinion on the 30 June 2025 accounts if the company is insolvent?

During the conduct of the audit, I formed the opinion that TT-Line *was* likely to be able to meet its debts as and when they fall due across the relevant period to August 2026. My audit opinion drew attention to the Director's Declaration explaining why they held the view that the company will be able to pay its debts over the next 12 months. Concurrently, I developed reasonable grounds to suspect that the company would not be able to meet its longer-term debts that fall due *after* the relevant period.

5. TT-Line representatives are stating that the company is solvent, why is there a difference?

The role of the Auditor-General is to report to Parliament the outcomes of audits of all State entities and my assessment of significant matters arising from those audits. This is my assessment; I cannot speak for other

views, however the company has advised that it is continuing to work on developing a range of long term financially sustainable options for the Government to consider.

6. Why weren't the differing views resolved before providing the report to Parliament?

My role is to report to Parliament and through Parliament to all Tasmanians. I have followed my usual practice of allowing an opportunity for the company to provide a formal response to be included in the report, but no formal response was provided prior to report finalisation.

7. The Director's declaration noted they have an expectation that the shareholders (the Government) will support the company – why isn't that enough?

I am only able to consider support measures that are included in formal and binding commitments in place at the time of my assessment.

8. Isn't the Tasmanian Government the debt guarantor for the company?

Letters of guarantee are provided to the lender not the borrower. TT-Line remain liable for the debt even if the lender calls on the guarantee.

9. Does the \$74.5 million in financial support announced in the recent budget affect the audit opinion?

The budget papers released on 6 November 2025 included: "Funding is provided to support TT-Line in delivering major capital projects and to ensure that it has adequate capital to sustain its ongoing operations". Although this announcement was made after I made my assessment of the company's solvency, it would not have changed my conclusion.

10. Is the company solvent if it has more assets than liabilities?

Not necessarily, financial liabilities need to be met through a future outflow of cash. Whereas the largely non-financial infrastructure assets are used to generate cash flows. The test is whether the assets can generate enough income to meet debts when they are due.

11. Doesn't the undrawn debt that the company has access to make it solvent?

TT-Line needs to be able to repay its current level debt and any additional debt it takes on. I made my assessment based on the debt that the company was carrying at that time of my audit and the company's ability to repay it and other creditors from cash flowing from its operations. Increasing the level of debt does not make this equation any more positive.

12. Will the company need further financial support?

The assessment I made during the audit was that, under current settings, the company is not able to pay its longer-term debts. For that to change, some decisions will need to be made by the company as to its future actions. It is not my role to presume what actions may be taken in the future.

13. Why haven't you taken the company's reliance on future Government support into consideration?

The company notes that it continues to work on a range of long term financial sustainable options for the Government to consider. During my audit these options and the likelihood of the government's acceptance were not known to me.

14. Are you concerned that reporting that TT-Line is insolvent may harm the company?

My obligation is to report significant matters as I see them. My purpose in reporting to Parliament is to support transparency and accountability of Government businesses and aid scrutiny and decision making related to them.

MAIB

15. MAIB is reporting a profit – what is the concern?

MAIB's overall profit stems from investment gains, not from its underwriting operations. In 2024/25 a \$41 million loss in its operations was offset by investment income of \$179 million. The insurance operations business is forecast to continually incur losses over the next 4 years.

16. Can MAIB's financial position support expansion into general insurance (Tas Insure)?

It is outside my scope to comment on Government policy. I understand from the Treasurer's budget speech that scoping work is being undertaken on the model for Tas Insure. It is my role to ensure that the financial position of the MAIB is understood.

More information can be accessed on pages 36-37 of the report

Termination payments

17. Why was this covered by your audit?

As part of our annual financial audit cycle, we select several focus areas based on risk for additional testing, beyond the minimum required to complete the financial audit. This year we undertook additional procedures in relation to payments to Key Management Personnel (KMP), with a particular focus on termination payments. We identified there was limited external oversight of contractual arrangements for KMPs and a likely risk that inconsistent terms could exist.

18. Why have you highlighted termination payments in your report?

We noted varying approaches to termination payouts being made to KMP on exiting employment contracts. While we did not identify any payments outside contractual conditions, the variation in amounts (as high as \$711,000 in one case) and frequency of payments are indicative that significant variations exist in contractual arrangements and interpretations for KMPs across different entities.

More information can be accessed on pages 9-12 and table 3 of the full report

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