

25 November 2025

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Chair
Legislative Council GBE Scrutiny
Committee A
Parliament House
HOBART TAS 7000

Helen Burnet MP
Chair
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TT-Line Pty Ltd – Clarification of matters relating to solvency

I am writing to clarify the role the Auditor-General in considering matters relating to going concern and solvency assessments, as required in legislation, regulatory guidance, accounting and auditing standards. Information in this letter is provided in accordance with Section 46 (3) of the Audit Act 2008.

I have reviewed the letter tabled by the Chair of TT-Line Pty Ltd (TT-Line) and evidence provided to your committees on 24 November 2025. The letter and subsequent evidence identified three areas that necessitate clarification, these being the treatment of long-term debt, the operation of the debt guarantee and the proposition that the Government would provide whatever support may be necessary. I will firstly deal with these matters and then provide further explanation regarding the evidence required to form an opinion.

Treatment of long-term debt

TT-Line, through its legal representative, has indicated that I erred in considering the ability of TT-Line to meet its debts beyond the period of 12 months from the date of the Directors solvency statement. This assertion is inconsistent with the requirements of the ASIC Regulatory Guide 22, Directors' solvency declaration (RG 22) issued in March 2023. When determining what debts are to be considered when forming an opinion on the solvency of the company, RG 22 requires:

*...in forming their opinion, the directors should consider future debts to the extent that they will compete for payment with the debts existing at the date of the declaration. **The prospective period to be considered by the directors is not limited to the date of the subsequent directors' declaration** (my emphasis), but the period up to that subsequent declaration will be of significance to the directors' opinion....*

The guide, while identifying the period up to the date of the subsequent directors' declaration to be significant it is also clear that, in the consideration of the ability to repay, Directors are to consider current and future debts, and not limit this consideration.

The assertion that the relevant period for consideration is limited to 12 months from the date of the Directors' declaration is also inconsistent with the requirements of Australian Accounting Standard AASB 101 Presentation of Financial Statements. Paragraph 26, outlines the requirements (for management) in assessing the appropriateness of the going concern basis as follows:

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Based on the preceding, the obligation on management and directors to consider both solvency and going concern extend beyond 12 months from the date of the directors' declaration.

As auditor, I am required to assess the Board and Management decisions based on the facts present, while this could in certain circumstances be for a period as short as 12 months from the date of the Directors Declaration, each assessment must take account of the relevant circumstances. Both the Australian Accounting Standards and RG 22 envisage that this will often require consideration of matters well beyond a 12 month period. Where a company is going through transformational change to its business model, taking on unprecedeted levels of debt it is reasonable to expect the assessment to consider all relevant information available, including assessing the ability of the company's future operations to meet the projected level of debt beyond a minimum 12 month period.

Availability of future Government support

Several references have been made to the willingness of the Tasmanian Government to provide financial support to TT-Line to enable the company to pay its debts as and when they fall due. RG 22 is clear that when forming their opinion on the solvency of the company, the directors must consider the company's capacity to pay debts.

If a party external to the company indicates a potential willingness to support the company meet its debts, and the company is likely to be reliant on that external support, this is indicative that the company is potentially unable to meet its debts, and therefore potentially insolvent.

From an evidentiary perspective, while several public statements have been made about possible future support, the current budget (yet to be passed) only envisages the provision of \$75m as an equity injection to TT-Line. Further, while an agreement to extend the short-term borrowings (\$400m) for another 12 months (to October 2027) has been disclosed in evidence to the committee. There are no forecasts that have been provided that show how the company could meet this obligation.

Operation of the Debt Guarantee

In the tabled letter it was noted that the obligation to repay borrowings is guaranteed by the Government. This assertion is incorrect and reflects a misunderstanding of the operation of section 15A of the Tasmanian Public Finance Corporations Act. Under the Act the amount is guaranteed to the benefit of TASCORP and not TT-Line. If TT-Line is unable to meet its debt to TASCORP, TT-Line is not relieved of obligation through the operation of the guarantee, rather the debt becomes payable to the State.

It is important to note that prior to TASCORP gaining a benefit under the provision of the guarantee, it must, under section 15A (4) have exercised all of its rights and remedies under all securities held in respect of the amount borrowed by TT-Line.

Accordingly, the existence of a Debt Guarantee to TASCORP provides no assurance as to TT-Line's ability to meet its debts.

Evidential Requirements

My responsibility, as auditor, is to assess whether sufficient and appropriate evidence can be provided to support assertions made by management. The following are key extracts of my audit workpapers that have been presented below to support the audit finding, that at the date of signing of my audit opinion on 19 August 2025, TT-Line was unable to provide sufficient, appropriate audit evidence to support the assertion that the company was solvent.

Date	Evidence
30 April 2025	TT-Line covering letter to Shareholder Ministers (accompanying the TT-Line Corporate Plan 2026-29) The letter noted ' <i>as a Board. We acknowledge that the projected financial position of the Company in the plan is not sustainable</i> '
May 2025	TT-Line Corporate Plan 2026-29 (subsequently withdrawn by the Board)

Date	Evidence
	<p>Our review of the 2026-29 Corporate Plan identified:</p> <ul style="list-style-type: none"> • That the plan included ambitious forecasts and likely unsustainable outcomes. • The key freight growth forecast was double the expected level of growth for other operators in this sector. • The forecast financial information included a significant error in the forecast that resulted in an \$389m overstatement in cashflows from operations over the forecast period. This was because of the misallocation of interest costs. This error carried through to TT-Line Statement of Corporate Intent.
25 June 2025	<p>TASCORP advised the Treasurer that:</p> <ul style="list-style-type: none"> • In relation to the request for a debt increase, the TASCORP Board considers that the level of debt requested by TT-Line is not sustainable over the long term. • TT-Line has limited ability to service its forecast debt levels let alone navigate any further deterioration from its base case forecast. • TASCORP is of the view that the Government should consider alternate funding structures, such as provision of equity
26 June 2025	<p>TASCORP in consideration of the TT-Line request for increased borrowings advised the TT-Line CEO that:</p> <ul style="list-style-type: none"> • The TASCORP Board considers that the level of debt requested by TT-Line is not sustainable over the long term. • TASCORP is of the view that TT-Line should consider alternate funding structures, such as requesting the provision of equity from the Government to restore its (TT-Line) financial sustainability.
25 July 2025	<p>TT Line Board request Treasurer:</p> <ul style="list-style-type: none"> • Increase the guarantee provided to TASCORP to \$1.445m, which will then allow TASCORP to lend additional funds to TT- Line. • The TT-Line Board also wishes to formally commence government consideration of the Corporations equity requirements as indicated in TASCORPS letter and forecast in previous discussions
28 July 2025	<p>TT-Line advised the Treasurer:</p> <ul style="list-style-type: none"> • The Board (TT-Line) has also engaged financial and business turnaround experts to assist in developing its comprehensive strategy for consideration by the government. At this stage the strategy will include a request for an equity injection.

On several occasions I requested that TT-Line provide any and all information that would support the Directors solvency statement. The only information provided was a

letter provided directly from a legal firm acting for TT-Line. The letter was ineffectual in that:

- It misrepresents the guarantee provided to TASCORP as providing comfort to TT Line.
- It relies on the support of external parties to TT-Line to provide an equity injection at some point in the future (to enable TT-Line to meet its debts at that point in time).
- Relies on modelling in the Corporate Plan which we found to be flawed and was subsequently withdrawn by the Board.

Next steps

TT-Line has asserted it that it has expert external advice that supports the Directors' and management position in relation to solvency. As part of our 2025-26 planning, I have directed that this advice is provided to me under Div 5 part 2 of the Audit Act 2008.

I expect that the proceeding information will provide clarity on my role and the basis for the formation of my evidence-based opinion that is specific to the circumstances facing TT-Line. Should you have further questions please feel free to contact me.

Regards



Martin Thompson
Auditor-General

CC

The Honourable Eric Abetz MP,
Treasurer,
Shareholding Minister of TT-Line Pty Ltd

Fiona Murphy
Secretariat – House of Assembly
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