Annual Report

2012/13

TT-LINE COMPANY PTY LTD

SPIRIT OF TASMANIA

A trip to remember

Company Vision

TT-Line Company Pty Ltd (TT-Line) aims to deliver an unparalleled and unique sea transport service across Bass Strait.

Company Mission

A ferry service built on a reputation for excellence in safety, reliability and exceptional passenger and freight services.

Business Objectives

TT-Line will manage and facilitate the operation of a shipping service to and from Tasmania, in a manner that is consistent with sound commercial practice.

TT-Line will endeavour to do this through the provision of passenger and freight services on the Devonport to Melbourne Bass Strait route and through the operation of the Edgewater Hotel in Devonport.

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Report from the Chairman

The financial year 2012/13 was the seventh successive year of operational profitability for TT-Line Company Pty Ltd.

The 2012/13 result is an excellent outcome for a business that is operating in a highly competitive domestic tourism market at a time when there is increasing pressure on disposable income and the relative attraction of international travel.

While passenger and passenger vehicle numbers fell in 2012/13, the Company continues to be in a strong financial position and is well placed to meet the challenges of capacity on Bass Strait.

In addition, passengers who travelled on board a Spirit of Tasmania vessel in 2012/13 injected an estimated $260 million into the Tasmanian economy.

Tasmanian direct and indirect spending by the Company totalled approximately $48 million, including employment of staff and purchases of goods and services.

Total revenue in 2012/13 increased slightly to $187 million compared to $185 million the previous financial year. TT-Line's underlying operational profit before tax in 2012/13 was $15.2 million (2011/12: $25.0 million). See Explanation of the Numbers Statement on page 17 for further details.

The Company recorded a net profit after tax of $12.7 million (2011/12: $1.1 million). A decrease in value of the vessels from 74 million euros to 65 million euros (the ships are valued in euros for international market reasons) was offset by a weaker Australian dollar contributing to an overall asset revaluation of $2.9 million. The introduction of the carbon tax and Port of Melbourne licence fee added over $6 million to the Company's cost base.

Given the nature of our operations, safety continues to be an issue of critical importance for the Board and the Company. It is a fixed agenda item at monthly Board meetings. It is pleasing to note that the Company recorded a further significant reduction in lost time injuries. Of similar importance is the Company's rehabilitation and return to work program for injured seafarers. TT-Line was presented with a Seacare Award for its work in this area (See Spirit People on page 5 for further detail).

Spirit of Tasmania I was dry docked in 2013. Each of our vessels is dry docked every two years for scheduled maintenance and repairs. The Company has an excellent reliability record as a result of this approach – in 2012/13 all voyages were completed with an on-time arrival rate of more than 97 per cent.

2013 was the second year of our partnership with the North Melbourne Football Club (NMFC), which played two games in Hobart at Blundstone Arena against 2012 AFL Premiers Sydney and also Port Adelaide.

The games attracted sell-out crowds and overwhelmingly positive media coverage in Tasmania and interstate. This is important in promoting Tasmania as a winter destination for our key market of Victoria.

"...passengers who travelled on board a Spirit of Tasmania vessel in 2012/13 injected an estimated $260 million into the Tasmanian economy."


Back row: The TT-Line Board of Directors (from left): Dr Jeffrey Hawkins, Bernard Dwyer, Anthony Tobin and Robert Heazlewood.
Front row: Rodney Chadwick, Chairman Michael Grainger and Charles Griplas. (Absent: Jayne Wilson).

I have been delighted with the way the club has worked with the Company and the Tasmanian community to promote the partnership and we are looking forward to more of the same – including two games at the redeveloped Blundstone Arena in 2014.

Vessel replacement/refurbishment deliberations continued in 2012/13. At the time of writing, the Committee established to undertake this important work remains on track to report back to the Board by the end of the 2013 calendar year.

In closing, I would like to recognise my fellow Directors and thank them for their contribution throughout 2012/13 across a wide range of areas.

I would also like to thank Chief Executive Officer Charles Griplas and his team for navigating the Company prudently through these challenging times.

Equally, I thank our shareholder ministers, Premier Lara Giddings and Minister for Infrastructure, Energy and Resources David O'Byrne, for their collective support of the Board and the Company.

Michael Grainger
Chairman

Report from the Chief Executive

"…88 per cent of Melbourne residents (our key market) had top of mind awareness for Spirit of Tasmania."

In last financial year's annual report, I referenced the continuing challenges we were facing in the domestic travel market with Australians preferring to holiday overseas and Tasmania continuing to be impacted by strong competition from other domestic destinations. These conditions continued in 2012/13.

TT-Line Company Pty Ltd transported 330,698 passengers (2011/12: 358,432), 156,645 passenger vehicles (2011/12: 165,456) and 98,725 TEU (Twenty-foot Equivalent Units) of freight (2011/12: 96,460). As our passenger and passenger vehicle numbers reflect, 2012/13 was a difficult period across the Tasmanian tourist sector. We expect a similar challenging environment for our business and the broader industry to continue.

At the same time, independent research found that customers continued to be satisfied with their experience on board Spirit of Tasmania vessels – 95 per cent of night passengers rated their experience as exceeding or meeting their expectations while 93 per cent of day passengers said the travel experience met or exceeded expectations. Child friendliness and quality of service were the top reasons for this.

Brand and advertising recall was also high – 88 per cent of Melbourne residents (our key market) had top of mind awareness for Spirit of Tasmania being the travel option between Victoria and Tasmania.

Pleasingly, for Melbourne residents, Tasmania has the highest appeal of all Australian states as a likely place to visit in the next 12 months.

Spirit People

"The Company was awarded the Best Rehabilitation and Return to Work Program category award at the 2012 Seacare Awards..."

TT-Line recorded a further significant reduction in lost time injuries in 2012/13.

The Company was awarded the Best Rehabilitation and Return to Work Program category award at the 2012 Seacare Awards, which are presented every two years by the Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority). The awards recognise and acknowledge positive and successful initiatives by maritime employers, operators and seafarers. Award recipients are generally regarded as leaders in best practice occupational health and safety, rehabilitation and return to work systems and programs for injured seafarers.

The Company made a number of contributions to Tasmanian charities and worthwhile organisations through its Community Spirit program which enables work groups that achieve injury free periods to select and support local community organisations.

TT-Line commenced a new program of Appropriate Workplace Behaviour training and awareness. The program is designed to ensure all employees and stakeholders understand the Company's ongoing commitment to creating and maintaining a work environment that is safe, fair, comfortable and free from inappropriate behaviour.

The Company introduced an injury prevention program that involves the provision of an on-site physiotherapist and the delivery of a series of targeted manual handling and conditioning training programs.

Spirit of Tasmania joined the Mindful Employer program that provides a range of general advice and information on mental health issues in the workplace, and also contains three e-learning courses, available online for all employees through the Company's Look Out Live Well safety program. The program was developed for businesses by SANE Australia, a national charity helping all Australians impacted by mental illness lead a better life through campaigning, education and research.



L-R: Staff fundraising in Devonport and staff at dry dock in Sydney.

Ship Facts

Crossing time & speed

- First commercial crossing 1 September 2002
- Average speed 27 knots
  (A knot equals 1 nautical mile per hour)
- Crossing time 9 - 11 hours

Distances

Melbourne to Devonport:

- 232 nautical miles or 429 kilometres
  (1 nautical mile equals 6,080 feet
  /1,852 metres/1.85 kilometres)

General

Owner: TT-Line Company Pty Ltd
Builder: Kvaerner Masa-Yards Finland
Year built: 1998
Ship type: RO/RO Passenger
Class: American Bureau of Shipping
Overall length: 194 metres
Overall width: 25 metres
Gross tonnage: 29,338 tonnes
Dead weight: 5,651 tonnes
Engines: 4 x 4 stroke single acting turbocharged diesels of 10,560kw each.

Capacity

- Licensed to carry up to 1,400 people and 500 vehicles
- Number of seats 272
- Total berths 748
- Number of cabins 222

Accommodation

- 59 Porthole Twin Berth Cabins
- 72 Porthole Three/Four Berth Cabins
- 81 Inside Three/Four Berth Cabins
- 8 Deluxe Cabins
- 2 Wheelchair Accessible Cabins
- 146 Ocean Recliners

Travel Experience

Independent research commissioned by the Company found that customers continue to be highly satisfied with their experience on board a Spirit of Tasmania vessel.

An impressive 95 per cent of night passengers rated their experience as exceeding or meeting their expectations, up from 94 per cent last financial year. Accommodation options and the high level of service (staff performance continues to improve and is at best practice levels) were the main reasons for this strong result.

Food and beverage, including the high percentage of Tasmanian produce that is available on board, also rated highly as an enjoyable part of the trip.

Following the implementation of improvements to the check-in process, passenger satisfaction improved by five per cent with 88 per cent of night passengers rating the check-in experience as excellent or good.

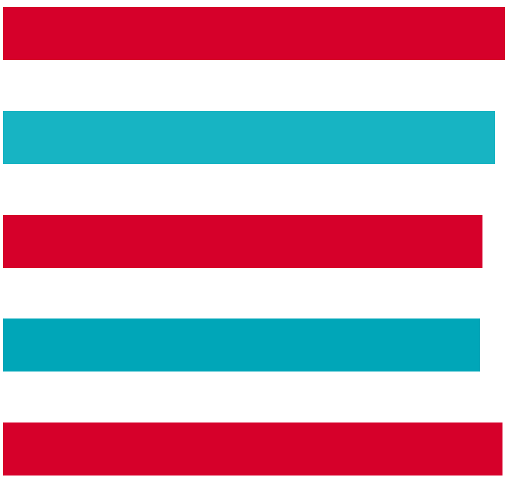
Day passengers reported that they enjoyed the entertainment options available on board and the relaxation their trip provided them. Forty three per cent of the day sailing passengers had previously travelled on the ship and 95 per cent said they intended to travel on Spirit of Tasmania again.

For Melbourne residents, TT-Line's key market, Tasmania has the highest appeal of all Australian states.

Eighty-eight per cent of Melbourne residents had top of mind awareness for Spirit of Tasmania being the travel option between Victoria and Tasmania.

Victorian respondents described Spirit of Tasmania as reliable, a unique travel experience and a relaxing and stress-free way to travel when compared to airlines on the same route.

"...customers continue to be highly satisfied with their experience on board a Spirit of Tasmania vessel."



95 per cent of night passengers rated their experience on board as exceeding or meeting their expectations.

93 per cent of day passengers said the travel experience met or exceeded expectations.

89 per cent of customers rated the check-in process as excellent or good.

88 per cent of Melbourne residents had top of mind awareness for Spirit of Tasmania being the travel option between Victoria and Tasmania.

95 per cent of day sailing passengers would travel with Spirit of Tasmania again.


SOT 1234

Community Support

TT-Line continued to be a strong supporter of Tasmanian-based organisations, events and charities.

Spirit of Tasmania provided funding support to the Tourism Industry Council Tasmania (TICT), including sponsorship of the 2012 Tasmanian Tourism Awards and Conference. The Company sees this sponsorship as an important part of contributing to the local tourism industry by providing it with a representative voice.

The Company provided significant support to assist victims of Tasmania's bushfires in January 2013. Spirit of Tasmania donated more than $20,000 in passenger fares to assist nearly 300 passengers impacted by the tragic bushfires. More than $70,000 worth of freight transportation was also provided.

The Company donated $10,000 to assist BlazeAid Tasmania, a volunteer organisation that helps to clear, repair or replace fences that have been lost as a result of natural disasters like bushfires.

Spirit of Tasmania also provided free sea transportation for five trailers of fencing equipment and materials and free travel and freight for seven Rotary members from Hazelwood Rotary who assisted with the clean-up and rebuild effort.

In addition, Spirit of Tasmania donated more than $12,500 to 10 Tasmanian charities or worthwhile organisations.

The Events Committee in the Customer Contact Centre has been fundraising for various charities for many years. Its work continued in 2012/13 with Variety the Children's Charity, National Bandanna Day, Daniel Morcombe Foundation Inc, Dunalley Fires Tasmania and Australia's Biggest Morning Tea receiving funds.

TT-Line continued its sponsorship of Targa Tasmania as a major partner. The Company has been a sponsor since the event's inception in 1992.

As part of Spirit of Tasmania's partnership with the North Melbourne Football Club, the Company organised a junior football clinic for the second year at Meercroft Park in Devonport attended by North Melbourne players and nearly 200 children.

Spirit of Tasmania announced its sponsorship of the Spirit Cup with the Devonport Football Club, an Australian Rules primary school program for children in grades four, five and six. The program was designed to be fun and participation-focused with no scores kept, no results and no finals. Spirit of Tasmania agreed to participate after it was identified by the Devonport Football Club that a primary school program was desperately needed in the area to increase participation at an early age. Spirit of Tasmania's sponsorship support includes assisting with venue hire, a program manager, umpires and coaches, end of season function for the schools, jumper cleaning and St John Ambulance and Spirit Cup medallions for each child who participates in the program. Eleven schools with more than 180 children participated.

L-R: Dressage Tasmania, Appin Hall Children's Foundation, Spirit Cup.

Environment, Safety and Reliability

Environment

TT-Line completed its fourth year of reporting under the Federal Government's *National Greenhouse Energy and Reporting (NGER) Act 2007* for the 2011/12 year. TT-Line will report on the 2012/13 *NGER* data by 31 October 2013.

The Company submitted its report under the Federal Government's *Energy Efficiency Opportunity (EEO) Act 2006* in December 2012. TT-Line's public report can be read on Spirit of Tasmania's website (spiritoftasmania.com.au).

TT-Line has established an Energy Efficiency Opportunity Committee to review and analyse potential energy efficiency opportunities identified by the Company. An Energy Efficiency Opportunity Policy has also been adopted by the Company.

As part of TT-Line's recycling program, more than 32,000 kilograms of glass have been removed from the vessels for recycling. The Company also recycles paper and cardboard, both on shore and on the vessels. Recyclables are collected by Devon Industries in Tasmania, a not-for-profit service provider for people with disabilities. In addition to the benefits of recycling, Spirit of Tasmania values the support it provides to life changing community initiatives.

Safety and Reliability

In February and March 2013 Marine Operations paused briefly to acknowledge and celebrate an important ship milestone, Spirit of Tasmania II and Spirit of Tasmania I respectively reached their 15 year anniversary.

This coincided with the completion of the third survey cycle (one cycle every five years). Each cycle requires more stringent safety and machinery inspections and a greater number of survey requirements. This culminates with the termination of all marine certification and the opening of new certificates for the next cycle.

In conjunction with the above, both ship and shore achieved clean records in all marine safety and environmental surveys and inspections conducted throughout the year.

After some major international shipping incidents, TT-Line re-evaluated its potential risk and reaffirmed its training in the area of Advanced Bridge Resource Management. This program is above industry standard and ensures each ship's bridge team acts in unison and to the highest professional standards.

In keeping with a strict safety and reliability regime, one vessel undertakes to dry dock each year. This year it was Spirit of Tasmania I. Work undertaken included the upgrade of the fire control system, the main engine propulsion control system and new controls for cargo ramps and shell openings such as bow doors and the stern ramp.

TT-Line's approach to maintenance, reliability and safety allowed the Company to achieve an unblemished voyage completion rate during the year and an on time arrival rate exceeding 97 per cent.

Images courtesy and copyright of Shane Walker.

Retail and Hospitality

Spirit of Tasmania continued to showcase Tasmanian produce on board at The Leatherwood and The Captain's Table restaurants. Ninety-three per cent of wine served and 80 per cent of all food is purchased through Tasmanian suppliers.

In May and June 2013 more than 25 Tasmanian gourmet food and beverage suppliers provided passengers who travelled on Spirit of Tasmania with free tastings as part of a 'Flavours of Tassie' showcase.

The showcase also provided these same suppliers with an important opportunity to sell their unique products on board the vessels.

The list of Tasmanian gourmet food and beverage suppliers included cheese from Ashgrove Farm Cheese and Grandvewe Cheese, whisky from the Lark Distillery, Hellyer Road Distillery, Old Hobart Distillery and William McHenry and Sons Distillery, wine from Janz Tasmania, Pipers Brook Vineyard, Hartzview Vineyard, Gryphonwood Vineyards, Josef Chromy, Leaning Church Vineyard, Domaine A, Stefano Lubiana, Clover Hill, Goaty Hill and Three Wishes Vineyard, and cider and beer from Spreyton Cider Co, Moo Brew, Seven Sheds Brewery and Morrison Brewery.

Tastings were also provided by the Tasmanian Gourmet Sauce Company, Tassie Taste Buds (preserves), Bridestowe Estate, Ashbolt Farm (elderflower and olive oil), 41 Degrees South (Tasmanian salmon) and chocolate from the House of Anvers.

In addition, a number of three to four minute videos featuring some of the suppliers who provided tastings on board were uploaded on to the Spirit of Tasmania Facebook page. The videos provided viewers on Facebook with the chance to "meet the maker" and hear the stories of the people who hand-pick and hand-make their products using local ingredients.

The initiative was a great success and will continue in 2013/14.

Training continued to be a major area of focus this year for retail and hospitality employees. Courses undertaken include wine knowledge, Tasmanian produce and product training, customer focus and service dining training, barista training and food safety.

The entertainment offered on board was increased during the summer months to ensure all Spirit of Tasmania passengers have a great experience.

The locally-produced Creature Tales show proved an enormous success to children travelling on board. The feedback from passengers regarding this group continues to be extremely positive.

The Edgewater Hotel in Devonport (42 rooms, a restaurant, two bars, gaming facilities, and function rooms) accommodates corporate and holiday travellers. Head chef Philip Piper was awarded the Tasmanian Hospitality Awards Chef of the Year for 2013.

Public Interest Disclosure

During the year ended 30 June 2013 the company received no disclosures that were determined to be public interest disclosures.

L-R Kids entertainment on board, THA chef of the year Phil Piper, face-painting on board.

Above: Flavours of Tassie showcase on board.

Brand

In last year's annual report, reference was made to a refresh of Spirit of Tasmania's brand that would assist the Company tackle the challenges of a highly competitive domestic tourist market.

In September 2012, the 'Drive straight into your next holiday' campaign was launched.

The Company ran seven different mainstream digital and advertising campaigns in 2012/13. They were the Brand Refresh, $79 Day Tickets, $128 Day/Night, $89 Take your car, Kids go free, Half-price winter, and Adults at kids prices. These campaigns ran for 25 weeks incorporating mainstream advertising on TV, press, radio, outdoor, shopping centres, cinema and magazines in Tasmania, Melbourne (metro), regional Victoria and southern NSW.

Mainstream advertising comprised more than 80 per cent of the Company's media spend.

In addition, Spirit of Tasmania ran seven campaigns via its website (spiritoftasmania.com.au) and direct marketing. These included: Melbourne Cup madness, Tassie triple deal, Touring escape ($49 Ocean Recliners), $49 Day Tickets (Melbourne to Devonport), $65 Day Tickets, Flight Centre initiative - $60 Ocean Recliner and Spirit's birthday sale ($54 Ocean Recliners).

The Company achieved 1.9 million website visits - a 22 per cent increase when compared to the previous year. Of all devices, tablets delivered the biggest increase in visitor numbers – a 260 per cent increase. Mobile telephones increased by 94 per cent while desktop visitors remained relatively stable at three per cent.

More than 75 per cent of the Company's bookings were made through the website, an eight per cent increase on 2011/12.

In 2012/13 Facebook likes increased to 16,837 (2011/12: 6,703) and Twitter followers were 1,877 (2011/12: 1,320). Facebook likes reached leadership status within the Tasmanian travel market.

The Company also started to develop a presence on YouTube and Pinterest.

At the end of the 2012/13 financial year, the Company's membership database totalled 115,405 people, which is a 92 per cent increase on 2011/12.

This membership comprises general subscribers (Travel Club) and loyalty program members (Frequent Travellers and Sailors Club).

Travel Club membership at the end of 2012/13 was 93,332, a 100 per cent growth on the 2011/12 figure of 46,536.

The number of loyalty program members at the end of 2012/13 was 22,073, which is a 90 per cent increase compared to last year.

In 2012/13 TT-Line distributed 1.4 million emails, including 1.3 million offer-based emails.

The Company released two editions of its 24-page *Cruising Tasmania* publication in 2012/13 (spring/summer and autumn/winter) that featured information about six driving holidays, highlighting the best attractions, experiences and events in the state. All Tasmanian operators are mentioned free of charge. More than 41,000 copies of the publication were requested and distributed.

L-R Spirit of Tasmania signage at Blundstone Arena, media backdrop with North Melbourne Football Club coach Brad Scott and match day sponsor signage at Etihad Stadium.

L-R NMFC footballers Leigh Adams, Andrew Swallow, Daniel Wells and Jack Ziebell.

The *Cruising Tasmania* annual direct marketing campaign increased Travel Club membership by more than 23,000.

Spirit of Tasmania hosted 18 individual top travel agents from regional and suburban Victoria on two north-west-coast familiarisations, with the assistance of 15 Tasmanian operators, Tourism Tasmania and the Federal Group.

Travel agents travelled on Spirit of Tasmania and visited many of Tasmania's key food icons and attractions. The familiarisations were successful with many agents commenting that the experience helped them sell the Spirits and Tasmania better.

Ninety-five ship inspections were provided for other Tasmanian and Victorian individual and group travel agents in 2012/13. Sydney retail agents were given a tour of the ship in Sydney when it was dry-docked at Garden Island.

Spirit of Tasmania managed a comprehensive Visiting Journalist Program in partnership with Tasmanian tourist industry operators to bring journalists to Tasmania.

Journalists who travelled with the Company represented national specialty magazines (*Australian Golf Digest, Australian Motorcycle News, Australian Motorcyclist Magazine, Fresh Water Fishing Magazine and Ride On Magazine), newspapers (Herald Sun, Ballarat Courier, Bendigo Advertiser, Leader Newspapers, Shepparton News, The Warnambool Standard, Geelong Advertiser and The Border Mail*), television programs (Toasted TV, I-Fish, The Grey Nomads at Large and What's Up Downunder) and online publications/blogs (kidspot.com.au, mamamia.com.au, bikepoint.com.au, drive.com.au and lastminute.com.au).

In total, 24 media representatives travelled on Spirit of Tasmania and reported on the experience and their time in Tasmania.

Through the partnership with the North Melbourne Football Club, Spirit of Tasmania had access to the club's database of 35,000 members. Spirit of Tasmania messages featured in seven NMFC direct mail pieces.

Spirit of Tasmania's second year as match day sponsor of North Melbourne's round one home game, this time against Collingwood on Easter Sunday at Etihad Stadium, was extremely successful. A 'sea of red' to represent Spirit of Tasmania's ships was created around the stadium with Spirit of Tasmania signage on ticket windows, red Spirit of Tasmania flags, balloons positioned at the stadium entrance gates and promotional staff wearing red T-shirts and hats handing out Spirit of Tasmania 'GOAL' banners to the crowds. More than 42,000 people attended the game and had the chance to win two return trips on Spirit of Tasmania. Footy fans at the game were exposed to a range of pre-match activities, including roaming stilt walkers wearing large cardboard Spirit of Tasmania ships, chocolate treats from the Easter Bunny and a surprise flash mob dance. Participation in the day was an important initiative to promote Spirit of Tasmania to club members, match attendees, at home viewers and radio listeners in Victoria.

As noted in the Chairman's message, North Melbourne played two games at Blundstone Arena against Sydney and Port Adelaide. The games were well supported by the Tasmanian community and local and interstate media.

"The Company achieved 1.9 million website visits, a 22 per cent increase when compared to the previous year."


PHOENIX
SPIRIT OF TASMANIA


Gate 5


SPIRIT OF TASMANIA
SPIRIT OF TASMANIA

TT-Line Company Pty Ltd

Explanation of the Numbers Statement - Unaudited

For the Year Ended 30 June 2013

	2013 $'000	2012 $'000
Revenue from operations		
Spirit of Tasmania	184,873	183,315
Other revenue	2,279	2,543
	187,152	185,858
Expenses from operations		
Spirit of Tasmania	(160,308)	(147,365)
Other expenses	(2,306)	(2,534)
	(162,614)	(149,899)
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**24,538**	**35,959**
Depreciation and Amortisation		
Spirit of Tasmania	(10,963)	(11,798)
Other	(204)	(201)
	(11,167)	(11,999)
Earnings Before Interest and Tax (EBIT)	**13,371**	**23,960**
Interest expense	(282)	(308)
Interest income	2,120	1,385
Underlying operational profit	**15,209**	**25,037**
Represented as follows;		
Spirit of Tasmania	15,440	25,229
Other	(231)	(192)
	15,209	**25,037**
Reconciliation to audited profit for the year		
Underlying operational profit	15,209	25,037
Accounting adjustments		
Valuation of asset ships adjustment	2,945	(23,483)
Profit before taxation equivalent expense	18,154	1,554
Taxation equivalent expense	(5,470)	(451)
Profit for the year - audited	**12,684**	**1,103**


SPIRIT OF TASMANIA

TT-LINE COMPANY PTY LTD

Annual Financial Report

For the Year Ended 30 June 2013

ABN 39 061 996 174

Contents

Corporate Governance Best Practice

While TT-Line Company Pty Ltd (TT-Line or the Company) is not a listed Company, it has adopted, where applicable, practices that comply with the relevant sections of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition) including the 30 June 2010 amendments.

Our practices in relation to these eight principles are as follows:

1. Lay solid foundations for management and oversight

The Board is responsible for the overall performance of the business in achieving the Company's objectives, as set out in its Constitution in accordance with the *TT-Line Arrangements Act 1993* (Tas) (the Act). The Act states that:

"The principal objective of the Company is to manage and facilitate the operation of a shipping service to and from Tasmania in a manner that is consistent with sound commercial practice."

Accordingly, the Board is responsible for:

- determining the strategic direction of the Company in a manner consistent with the objectives; and
- effective oversight of management.

The most significant responsibilities of the Board, as set out in its Charter, are:

- in conjunction with management, considering and determining the strategic direction of the Company;
- adopting annual business plans and budgets;
- reviewing and assessing management's performance against strategic plans, business plans and budgets;
- ensuring that assets are adequate and effectively utilised to achieve the objectives of the Company;
- recommending the Company's dividend policy;
- appointing and determining conditions of service, including remuneration and performance monitoring procedures, for the Chief Executive Officer (CEO);
- ratifying the senior management team's appointment and conditions of service, including remuneration and performance monitoring procedures;
- reviewing the performance of the CEO and the senior management team, in conjunction with the CEO and in accordance with agreed procedures;
- ensuring timely and effective reporting to the shareholders on all major matters, including through annual reports and annual business plans;
- reviewing and monitoring risk management and internal compliance and control, with the guidance of the Audit and Risk Committee;
- reviewing and monitoring processes for compliance with all regulatory requirements and standards, including environmental, health and safety obligations;
- reviewing and approving all major policies; and
- overseeing the operation and performance of all Board committees.

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision making.

The Board may establish committees from time to time to assist it in carrying out its functions, and to ensure its effective performance in specific areas. The committees provide information and advice to the full Board regarding issues the committees have considered. Committee members are accountable to the Board.

The current committees are:

- Audit and Risk;
- Remuneration;
- Vessel Replacement and Procurement; and
- Director Nomination.

The Board has delegated to the CEO the relevant authority to manage the Company's day-to-day operations, subject to such specific delegations and limits as the Board makes from time to time.

The Remuneration Committee conducts a formal review of the CEO's performance annually.

The CEO annually conducts formal performance appraisals of all senior managers who report directly to the CEO.

2. Structure the Board to add value

The composition of and appointments to the Board are prescribed by the Company's Constitution. Appointments are made directly by the Board's two shareholders: the Treasurer, and the Minister for Infrastructure for the State of Tasmania. Directors are appointed according to the Guidelines for Tasmanian Government Business – Board Appointments.

The Board of Directors acts as the Director Nomination Committee. Any Director eligible for reappointment absents themselves from discussions relating to their own nomination.

The Board's shareholders appoint the Chairman of the Board at the Annual General Meeting (AGM).

The CEO was appointed as a Director of the Company on 29 July 2009. The Chairman and other Directors are independent non-executive Directors.

For more information about the Directors, see page 22.

The Board's performance is reviewed annually.

Under the Board's Charter, any Director may take such independent legal, financial or other advice as they consider necessary to complete their duties as a Director, at the Company's cost.

3. Promote ethical and responsible decision-making

The Company has adopted a Code of Conduct, which governs the Company's commercial operations, as well as the conduct of Directors, employees, consultants and all other people when they represent the Company. The Company's Code of Conduct is available at www.spiritoftasmania.com.au.

The Company has an open and transparent recruitment policy that supports the appointment of individuals based on merit and qualifications without discrimination or favouritism.

4. Safeguard integrity in financial reporting

The Board has established an Audit and Risk Committee. This committee is chaired by Ms Jayne Wilson. The other committee members are Mr Michael Grainger (in an ex-officio capacity), Mr Bernard Dwyer and Mr Rodney Chadwick.

This committee has a formal Charter which is reviewed by the Board on a regular basis.

The Company's external auditor is the Tasmanian Audit Office. The Auditor-General or Auditor-General's representative attends meetings of the Audit and Risk Committee from time to time.

5. Make timely and balanced disclosures

The Company is not a listed company and therefore is not obliged to report to the Australian Securities Exchange (ASX).

6. Respect the rights of shareholders

The Company conducts briefing sessions with its shareholders or their representatives after each Board meeting, and also reports to its shareholders in accordance with statutory obligations and shareholder directions.

The Auditor-General is invited to attend the Company's AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

7. Recognise and manage risk

The Board has received assurance from the CEO and Chief Financial Officer (CFO) that the declaration provided in this annual report, in accordance with section 295A of the *Corporations Act 2001* (Cth) is founded on a system of risk management and internal control and that this system is operating effectively in all material aspects regarding financial reporting risks.

The Company is committed to ensuring that all key risks are identified, assessed and appropriately managed. To this end, the Board and the Audit and Risk Committee give consideration to balancing the potential cost of a risk, the benefit from exposure to the risk and the cost of controlling the risk.

The Board, and in particular the Audit and Risk Committee, oversee the establishment, implementation and periodic review of the Company's risk management system. Management has established and implemented a system for assessing, monitoring and managing risk, including operational, financial and compliance risk.

The Audit and Risk Committee, with assistance from external advisers has undertaken a formal risk assessment process and documented an organisational strategic risk profile, which is subject to regular periodic updates. Management and the Audit and Risk Committee review the outputs from this process and ultimately report these outputs to the Board. Each department is responsible and accountable for implementing and managing the extent of its exposure to identified risks.

8. Remunerate fairly and responsibly

The Board has established a Remuneration Committee, which is responsible for ensuring that the Company's remuneration policies and practices are fair and nationally competitive. The Remuneration Committee is also responsible for reviewing and approving changes to executive and senior management remuneration policies and incentive programs. The Committee approves market movement increases in remuneration as part of the annual remuneration review for executives and senior managers. The Remuneration Committee is responsible for recommending movements in senior management salary levels to the Board.

Directors' fees are set by the Tasmanian Government.

The Remuneration Committee is chaired by Mr Michael Grainger, and its other members are Mr Rodney Chadwick and Mr Bernard Dwyer.

Directors' Report

The Directors of TT-Line submit herewith the annual financial report of the Company for the financial year ended 30 June 2013. The Directors report the following in compliance with the provisions of the *Corporations Act 2001* (Cth).

Information about the Directors

The names and particulars of the Directors of TT-Line during or since the end of the financial year are as follows:

Mr Michael Grainger

Mr Grainger is the Chairman of the Board, having joined the Board in 2005 as a non-executive Director. Mr Grainger is Managing Director of Liferaft Systems Australia Pty Ltd, Chairman of the international shipping organisation Interferry, Chairman of the Brand Tasmania Council, Director of the State Government Tasmania Development Board and member of the Det Norske Veritas International Ferry Committee. He is a member of each of the Remuneration, Audit and Risk, and Vessel Replacement and Procurement committees.

Ms Jayne Wilson

Ms Wilson joined the Board in 2005 as a non-executive Director. She is a Director of Transend Networks Pty Ltd, a member of the Network Integration Transition Board, and Chairperson of the Audit and Risk Committee.

Mr Anthony Tobin

Mr Tobin joined the Board in 2005 as a non-executive Director, and is a member of the Vessel Replacement and Procurement Committee. He is a founding partner of Gilbert + Tobin lawyers, and holds a number of directorships in the private and public sector. Mr Tobin is also a Director of the Committee for Economic Development of Australia (CEDA), President of CEDA's NSW Advisory Council, and a member of the Council of the University of Technology, Sydney.

Dr Jeffrey Hawkins

Dr Hawkins joined the Board in 2007 as a non-executive Director. He is Managing Director of the Asia Pacific Maritime Institute, Managing Director of Pivot Maritime International Pty Ltd, and Chairman of the Australasian Network of Maritime Education and Training. Dr Hawkins is a member of the Vessel Replacement and Procurement Committee.

Mr Rodney Chadwick

Mr Chadwick joined the Board in 2007 as a non-executive Director. He is Chairman of the Monash University Medical Foundation, and has held numerous public company directorships in the past. Mr Chadwick currently holds three directorships in the private sector and is Deputy Chairman of the Port of Hastings Development Authority. He is a member of each of the Audit and Risk, Vessel Replacement and Procurement, and Remuneration committees.

Mr Bernard Dwyer

Mr Dwyer joined the Board in 2010 as a non-executive Director. He is the Director of Tourism at the Federal Group, Director of the Tourism Industry Council of Tasmania, and Director of Business Events Tasmania. He is also a member of the Audit and Risk and Remuneration committees.

Mr Robert Heazlewood

Mr Heazlewood joined the Board in 2012 as a non-executive Director. He is Executive Director of the Brand Tasmania Council, a Director of the Tasmanian Fruit and Nut Industry Research and of the Development and Extension Trust Fund.

Mr Charles Griplas

Mr Griplas joined the Board in 2009 as an executive Director and has been the CEO of TT-Line since 2008. Mr Griplas is also a Director of the Tourism Industry Council of Tasmania and a Director of the Brand Tasmania Council.

Remuneration of Directors and senior management

Information about the remuneration of Directors and key management personnel is set out in note 23 to the financial statements.

Principal activities

The principal activities of the Company during the course of the financial period were providing commercial passenger, vehicle and freight shipping services between Tasmania and mainland Australia.

Review of operations

The Company reported a profit after tax of $12.7 million for the year ended 30 June 2013 (2012: $1.1 million). The year was a challenging one, amid a mixed trading environment.

Over the past five years, the Company has been positioned to endure an increasing cost base, a difficult consumer market and increased maritime regulation. This has been extremely demanding as the Company solely operates a two-vessel operation on a fixed route.

The Company's performance to date is guided by the need to differentiate its service and product offering and to better combat a 'no frills' airline market, driven purely by low prices. It successfully rebranded the Spirit of Tasmania and adopted the tagline 'A trip to remember'.

The selection of a new creative agency and media buyer allowed the Company to execute a marketing and media campaign that has achieved the highest metrics for advertising recall, website traffic, customer satisfaction and repeat visits.

Workplace and ship safety are at the core of the business and, aligned with a rigorous ship maintenance program, support the Company as a safe and reliable provider of short sea voyages.

The ageing Bass Strait freight fleet presents challenges and opportunities for the Company in a tough trading environment.

The Company's performance and its profitability in 2012/13 continued to be affected by a weak market for domestic tourism. The key contributing factors to market softening were the strong Australian dollar, which has led to a significant increase in the number of people holidaying overseas to the detriment of domestic tourism, and the increase in availability of cheap domestic and international air fares, which has given customers significantly more choice in travel destinations.

The Tasmanian Visitor Survey results for the year ended March 2013 showed that visitors to all regions were down 1% compared to the same period in the previous year, except in the Southern Region (primarily Hobart). Longer-term visitors traditionally make up one of the Company's key markets; however, the average length of each stay for interstate travellers decreased by 7% compared to 2011/12. The combination of the above factors indicates that although the number of visitors to Tasmania has grown, this growth has been dominated by short-stay trips to Hobart, which is not TT-Line's key market. TT-Line passenger numbers for 2012/13 were down 8 per cent, to 330,698 passengers (2012: 358,432).

Freight volumes were up 2 per cent on the same period in the previous year, to 98,725 twenty-foot equivalent units (TEUs) (2012: 96,460). This represents a record level of freight carried by TT-Line taking advantage of the space created by lower passenger numbers.

The Company continues to operate in a high-cost environment where the majority of costs are fixed or the Company is a price taker. This year costs increased by $6 million due to the introduction of the Port of Melbourne licence fee and the carbon tax.

In accordance with the shareholder-approved dividend policy, the Company will continue to retain surplus funds for the replacement or refurbishment of its vessels. As the vessels age, the Company will need to make an increased call on capital to maintain the vessels at their current standard.

The valuation of each vessel in Australian dollars rose from $90.1 million to $91.1 million between 2012 and 2013 but reduced in euros from 74.0 million euros to 65.0 million euros. The $1.0 million increase in fair value of each vessel was the combined result of the devaluation in euros of $12.7 million, offset by a movement of $13.7 million in the exchange rate between the Australian dollar and the euro. In addition to the $2.0 million increase in value during the year for both vessels, they were depreciated by $9.1 million during the year, and this was written back on revaluation. The vessels also underwent $6.6 million of improvements and periodic maintenance, which was written down on valuation. The result of these movements was a $4.7 million vessel revaluation increment, recorded in the statement of profit or loss.

Subsequent events

No matters or circumstances occurred subsequent to the end of the financial year that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years – and the expected results of those operations – is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Company's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Company has a Management Committee that monitors compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this report.

Dividends

In accordance with the Government's stated dividend policy for TT-Line, the Company will retain its annual cash surplus for the purpose of funding the replacement or refurbishment cost of its two vessels.

No dividends have been paid or declared since the start of the 2013/14 financial year, and the Directors do not recommend paying a dividend in respect of the 2012/2013 financial year.

Indemnification and insurance of officers and auditors

During the 2012/13 financial year, the Company paid a premium for a contract insuring the Directors of the Company (as named on page 22) against a liability incurred as such a Director, to the extent permitted by the *Corporations Act 2001* (Cth). The contract of insurance prohibits disclosure of the nature of the covered liability and the amount of the premium.

The Company has not otherwise – during or since the financial year, except to the extent permitted by law – indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

Directors' meetings

The table at the bottom of the page sets out the number of Directors' meetings – including meetings of committees of Directors – held during the financial year, and the number of meetings each Director attended while they were a Director or committee member. During the financial year, the Company held 12 Board, four Audit and Risk Committee, one Remuneration Committee, one Nomination Committee and four Vessel Replacement and Procurement Committee meetings.

International travel

All international travel undertaken by Company officers was approved under the Company's travel policy, ensuring that the travel was consistent with achieving the Company's strategic objectives. The following table lists the international travel undertaken by the Chairman, Directors and CEO during the financial year.

International travel in the year ended 30 June 2013

Position	Number of trips	Cost of travel $
Chairman	–	–
Directors	1	9,710
CEO	2	21,333

Auditor's independence declaration

The auditor's independence declaration is included on page 25 of this financial report.

Rounding off

The Company is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998. In accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to section 298(2) of the *Corporations Act 2001* (Cth).

On behalf of the Directors

M Grainger

J Wilson
Directors
Hobart, 13 August 2013

Meetings held and attended in the year ended 30 June 2013

	Board		Audit and Risk Committee		Remuneration Committee		Director Nomination Committee		Vessel Replacement and Procurement Committee	
Director	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Mr M Grainger	12	12	4	4	1	1	1	1	4	4
Ms J Wilson	11	12	4	4	–	–	1	1	–	–
Mr A Tobin	12	12	–	–	–	–	1	1	4	4
Dr J Hawkins	11	12	–	–	–	–	1	1	4	4
Mr R Chadwick	10	12	4	4	1	1	1	1	4	4
Mr B Dwyer	12	12	4	4	1	1	1	1	–	–
Mr R Heazlewood	7	8	–	–	–	–	–	–	–	–
Mr C Griplas	12	12	–	–	–	–	1	1	4	4

[1] *The number of meetings held during the time the Director was a member of the relevant committee.*

Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

12 August 2013

The Board of Directors
TT-Line Company Pty Ltd
PO Box 168E
DEVONPORT TAS 7310

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 TT- Line Company Pty Ltd for the financial year ended 30 June 2013, 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; and

b) any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) of the *Corporations Act 2001* a copy of this declaration must be included in the Directors' report.

Yours sincerely

E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

...1 of 1

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

Tasmanian Audit Office

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Independent Auditor's Report

To the Members of TT-Line Company Pty Ltd

Financial Report for the Year Ended 30 June 2013

Report on the Financial Report

I have audited the accompanying financial report of TT-Line Company Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2013 and the statements of profit or loss, profit or loss and comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Auditor's Opinion

In my opinion:

(a) the Company's financial report is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of its financial position as at 30 June 2013 and its financial performance for the year ended on that date, and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

The Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the directors' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors dated 12 August 2013 and included in the Directors' report, would be unchanged if provided to the directors as at the date of this auditor's report.

Tasmanian Audit Office

E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

HOBART
13 August 2013

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company;

(c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 3 to the financial statements; and

(d) although not a requirement, the Directors' have been given the declarations referred to in s.295A of the *Corporations Act 2001* (Cth).

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001* (Cth):

On behalf of the Directors

M Grainger

J Wilson

Directors
Hobart, 13 August 2013

Statement of Profit or Loss

For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue	5	186,769	185,392
Investment revenue	6	2,120	1,385
Other gains	7	4	9
		188,893	186,786
Employee benefits expense	10(a)	(58,174)	(54,972)
Other expenses	10(b)	(115,228)	(106,469)
Finance costs	8	(282)	(308)
Asset revaluation/impairment	13	2,945	(23,483)
PROFIT BEFORE TAX		**18,154**	**1,554**
Tax-equivalent (expense)	9	(5,470)	(451)
PROFIT FOR THE YEAR		**12,684**	**1,103**

Notes to the financial statements are included on pages 34 to 63.

Statement of Profit or Loss and Comprehensive Income

For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
PROFIT FOR THE YEAR		**12,684**	**1,103**
Other comprehensive income/(loss) for the year, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Recognised actuarial gains/(losses)	18	1,372	(2,185)
Tax-equivalent benefit/(expense) on items of comprehensive income	9	(412)	656
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging reserve	20	5,373	(3,362)
Tax-equivalent benefit/(expense) on items of comprehensive income	9	(1,612)	1,009
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**17,405**	**(2,779)**

Notes to the financial statements are included on pages 34 to 63.

Statement of Financial Position

As at 30 June 2013

	Note	2013 $'000	2012 $'000
CURRENT ASSETS			
Cash and cash equivalents	25	59,021	43,691
Trade and other receivables	11	16,864	15,520
Inventories	12	3,208	2,151
Other	14	2,646	1,406
TOTAL CURRENT ASSETS		**81,739**	**62,768**
NON-CURRENT ASSETS			
Property, plant and equipment	13	197,350	196,918
Deferred tax asset	9	28,898	34,440
Other	14	1,861	45
TOTAL NON-CURRENT ASSETS		**228,109**	**231,403**
TOTAL ASSETS		**309,848**	**294,171**
CURRENT LIABILITIES			
Trade and other payables	15	8,920	10,864
Provisions	16	6,980	7,131
Other	17	10,749	11,072
TOTAL CURRENT LIABILITIES		**26,649**	**29,067**
NON-CURRENT LIABILITIES			
Provisions	16	10,130	10,397
Deferred tax liability	9	2,554	602
Other	17	15	1,010
TOTAL NON-CURRENT LIABILITIES		**12,699**	**12,009**
TOTAL LIABILITIES		**39,348**	**41,076**
NET ASSETS		**270,500**	**253,095**
EQUITY			
Issued capital	19	328,981	328,981
Reserves	20	2,268	(1,493)
Accumulated losses	21	(60,749)	(74,393)
TOTAL EQUITY		**270,500**	**253,095**

Notes to the financial statements are included on pages 34 to 63.

Statement of Changes in Equity

For the Year Ended 30 June 2013

	Note	Share capital $'000	Cash flow hedging reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2011		**328,981**	**860**	**(73,967)**	**255,874**
Profit for the year		–	–	1,103	1,103
Other comprehensive (loss) for the year	20 and 21	–	(2,353)	(1,529)	(3,882)
Total comprehensive (loss) for the year		**–**	**(2,353)**	**(426)**	**(2,779)**
Balance at 30 June 2012		328,981	(1,493)	(74,393)	253,095
Profit for the year		–	–	12,684	12,684
Other comprehensive profit for the year	20 and 21	–	3,761	960	4,721
Total comprehensive profit for the year		–	3,761	13,644	17,405
Balance at 30 June 2013		**328,981**	**2,268**	**(60,749)**	**270,500**

Notes to the financial statements are included on pages 34 to 63.

Statement of Cash Flows

For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		220,109	214,075
Interest received		2,217	1,351
Cash payments in the course of operations		(198,347)	(180,250)
Net cash provided by operating activities	**25**	**23,979**	**35,176**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		158	123
Payments for property, plant and equipment		(8,807)	(7,792)
Net cash (used) by investing activities		**(8,649)**	**(7,669)**
Net increase in cash held		15,330	27,507
Cash and cash equivalents at the beginning of the financial year		43,691	16,184
Cash and cash equivalents at the end of the financial year	**25**	**59,021**	**43,691**

Notes to the financial statements are included on pages 34 to 63.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 1 General information

TT-Line is a private company limited by shares, incorporated and operating in Australia. TT-Line's registered office and principal place of business is as follows:

No. 1 Berth, The Esplanade
East Devonport Tasmania 7310
Telephone: (03) 6421 7311
Facsimile: (03) 6427 0588

The Company's principal activities are providing passenger, vehicle and freight shipping services between Devonport and Melbourne.

Note 2 Application of new and revised accounting standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations were adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations that were adopted in the current period but have had no effect on the amounts are also set out below.

<u>Standards affecting presentation and disclosure</u>

Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income') introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income, and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in a single statement, or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section, as (a) items that will not be reclassified subsequently to profit or loss, and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income must be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the amendments to AASB 101 do not have any impact on profit or loss, other comprehensive income or total comprehensive income.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle') require an entity that changes accounting policies retrospectively – or makes a retrospective restatement or reclassification – to present a statement of financial position as at the beginning of the preceding period (a third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Standards and Interpretations affecting the reported results or financial position

No new or revised Standards and Interpretations adopted in these financial statements affected the Company's reporting results or financial position.

Standards and Interpretations in issue but not yet adopted

At the date of authorisation of the financial statements, the following relevant Standards and Interpretations listed below were in issue but not yet adopted.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied on the financial year ending
• AASB 9 'Financial Instruments' and the relevant amending standards	1 January 2015	30 June 2016
• AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
• AASB 119 'Employee Benefits – September 2011' and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)'	1 January 2013	30 June 2014
• AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
• AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
• AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014

When adopted, the above standards and interpretations will not materially affect the financial statements of the Company.

At the date of authorisation of the financial statements, no International Accounting Standards Board (IASB) Standards or International Financial Reporting Standards Interpretations Committee (IFRIC) Interpretations were on issue.

Note 3 Significant accounting policies

Statement of compliance

These financial statements are general-purpose financial statements that have been prepared in accordance with the *Corporations Act 2001* (Cth) and Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the Company's financial statements and notes to the financial statements comply with International Financial Reporting Standards (IFRS).

The Directors authorised the financial statements for issue on 13 August 2013.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the Company's functional currency, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998. In accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

The following significant accounting policies have been adopted in preparing and presenting the financial report:

Notes to the Financial Statements

For the Year Ended 30 June 2013

(a) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Passengers and freight

Revenue from passengers and freight is brought to account on a voyage-by-voyage basis at the date of a vessel's departure. Cash received for future voyages is treated as revenue received in advance and disclosed as a liability in the statement of financial position.

On-board trading

Revenue from on-board trading activities is recognised on a voyage-by-voyage basis and is recognised at the date of a vessel's departure.

Interest revenue

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(b) Leasing

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Income from finance leases is allocated to accounting periods, to reflect a constant periodic rate of return on the Company's outstanding net investment in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant leases.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligations, to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately as profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as an expense in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under the operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received for entering into operating leases, these incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(c) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise, except for exchange differences on transactions entered into to hedge certain foreign currency risks. [See note 3(k) below for hedge accounting policies.]

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and the benefits are capable of being measured reliably.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows the Company will make in respect of services provided by employees up to the reporting date.

Payments to defined contribution retirement plans are expensed when employees have rendered service entitling them to these contributions.

Actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they occur. In prior years, the actuarial gains and losses arising were recognised immediately in profit or loss in the period in which they occurred.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of the plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

(e) Taxation

The Company is subject to the National Tax Equivalent Regime under instructions from the Treasurer of the State of Tasmania, which is broadly based on the provisions of the Commonwealth Income Tax Assessment Acts.

Income tax expense represents the sum of the tax currently payable and deferred tax.

<u>Current tax</u>

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other periods, and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were enacted or substantively enacted by the end of the reporting period.

<u>Deferred tax</u>

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax bases used to calculate taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. These deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that were enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects tax consequences that would follow from the manner in which the Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets on a net basis.

<u>Current and deferred tax for the period</u>

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

(f) Property, plant and equipment

Vessels are carried in the statement of financial position at fair value. Fair value is determined on the basis of an annual independent market valuation prepared by external valuation experts; this valuation is provided in euros and translated at the prevailing exchange rate on the reporting date (see note 13).

Land and buildings held for use for the production or supply of goods and services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the reporting date of the revaluation, less any subsequent accumulated depreciation, plus or minus additions or disposals and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity so that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction), less their residual values over their useful lives, using the straight-line method. The estimated useful lives (see note 4), residual values and depreciation method are reviewed at the end of each reporting period, and the effect of any changes is recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in profit or loss.

(g) Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or are otherwise allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease [see note 3(f)].

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase [see note 3(f)].

Notes to the Financial Statements

For the Year Ended 30 June 2013

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

(i) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that the Company will be required to settle the obligation; and the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

<u>Onerous contracts</u>

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(j) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

<u>Financial assets</u>

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of debt instruments and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the debt instrument (or a shorter period, where appropriate) to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets classified at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those classified at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial assets is directly reduced by the impairment loss for all financial assets, with the exception of trade receivables, where the carrying amount is reduced by using an allowance account. When the trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liability and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity, in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability (or a shorter period, where appropriate) to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when and only when the Company's obligations are discharged or cancelled, or they expire. The difference between the carrying amount of the derecognised financial liability and the consideration paid and payable is recognised in profit or loss.

(k) Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to commodity and foreign currency rate risk. Further details of derivative financial instruments are disclosed in note 22 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is immediately recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

The Company designates certain hedging instruments – including derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as either fair value hedges or cash flow hedges. Hedges of foreign currency risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument used in a hedging relationship is highly effective in offsetting changes in the fair values or cash flows of the hedged item that are attributable to the hedged item.

Notes 9, 14, 17 and 22 set out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedge

The Company does not have any fair value hedges.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and is accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship; when the hedging instrument expires; or when the hedging instrument is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any gain or loss in other income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amounts of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- for receivables and payables, which are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from or payable to the taxation authority is classified within operating cash flows.

Note 4 Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies (described in note 3), the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 of the revision 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).

Critical judgements in applying the Company's accounting policies

The following are the critical judgements – apart from those involving estimations (see below) – the Directors have made in the process of applying the Company's accounting policies, and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future – and other key sources of estimation uncertainty at the reporting period – that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Useful lives of property, plant and equipment</u>

As described in note 3(f), the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current period, the Directors determined that the useful life of all classes of property, plant and equipment remains the same as in the previous year.

The following useful lives are used to calculate depreciation:

Leasehold improvements	12–40 years
Buildings	30 years
Vessels	30 years
Plant and equipment	3–10 years
Intangible assets	3–10 years

Note 13 reports the carrying amount of the Company's vessels, and note 3(f) details the valuation policy. Significant judgements made in applying these policies include:

- the need for an independent valuation;
- the need for the valuation to be denominated in euros; and
- a residual value of $38.2 million (per vessel) based on 20% of the initial build price.

All of these assumptions include risk that can materially alter the carrying value of the vessels.

Note 13 also reports the carrying amount of the Company's buildings, and note 3(f) details the valuation policy. Significant judgements made in applying these policies include the need for an independent valuation.

Valuation of financial instruments

As described in note 22, the Company uses valuation techniques that include using inputs not based on observable market data to estimate the fair value of certain types of financial instruments. Note 22 provides detailed information about the key assumptions used to determine the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The Directors believe that the valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Note 5 Revenue

The following is an analysis of the Company's revenue for the period, from continuing operations:

	2013 $'000	2012 $'000
Revenue from the provision of services	175,674	173,546
Revenue from the sale of goods	11,095	11,846
	186,769	185,392

Note 6 Investment revenue

	2013 $'000	2012 $'000
Interest revenue – bank deposits	2,120	1,385

Note 7 Other gains

	2013 $'000	2012 $'000
Gain on disposal of property, plant and equipment	4	9

No other gains or losses were incurred in respect of loans and receivables or held-to-maturity investments, other than impairment recognised or reversed in respect of trade receivables as disclosed in note 11.

Note 8 Finance costs

	Note	2013 $'000	2012 $'000
Interest costs on defined benefit superannuation plan	18	282	308

Finance costs relating to financial liabilities classified as at FVTPL are included in other gains in note 7.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 9 Tax-equivalent expense

Tax-equivalent expense recognised in net profit or loss

Deferred tax-equivalent expense	**2013 $'000**	**2012 $'000**
Origination and reversal of temporary differences:		
Increase in deferred tax liability	980	1,872
Decrease/(increase) in deferred tax asset	4,482	(1,395)
	5,462	477
Adjustment for prior years	8	(26)
Total tax-equivalent expense	5,470	451

The total tax-equivalent expense for the period can be reconciled to the accounting profit as follows:

	2013 $'000	**2012 $'000**
Profit/(loss) before tax-equivalent expense	18,154	1,554
Prima facie tax-equivalent expense at 30% (2012: 30%)	5,446	466
Non-deductible entertainment	24	11
(Under)/over provided in prior periods	–	(26)
Tax-equivalent expense recognised in the current period, relating to continuing operations	5,470	451

The tax rate used for the 2013 reconciliation is the corporate tax rate of 30% (2012: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

Tax-equivalent recognised in other comprehensive income

Deferred tax	**2013 $'000**	**2012 $'000**
Tax-equivalent impact of actuarial gains/(losses)	412	(656)
Tax-equivalent impact of revaluation in cash flow reserve	1,612	(1,009)
Net tax-equivalent expense/(benefit) attributable to transactions recognised in equity	2,024	(1,665)

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

2013	Balance 1 July 2012	Recognised in profit or loss (prior periods)	Recognised in profit or loss (movement)	Recognised in other comprehensive income	Balance 30 June 2013
	$'000	$'000	$'000	$'000	$'000
Deferred tax assets					
Derivative liability – fuel hedge	640	–	–	(640)	–
Employee provisions	5,258	–	287	(412)	5,133
Other accruals	20	–	89	–	109
Property, plant and equipment	3,724	–	(3,724)	–	–
Provisions	39	–	(18)	–	21
Tax losses	24,759	(8)	(1,116)	–	23,635
	34,440	(8)	(4,482)	(1,052)	28,898
(Deferred tax liabilities)					
Accrued income	(43)	–	28	–	(15)
Consumables	(559)	–	(308)	–	(867)
Derivative asset – fuel hedge	–	–	–	(972)	(972)
Property, plant and equipment	–	–	(700)	–	(700)
	(602)	–	(980)	(972)	(2,554)
Net	33,838	(8)	(5,462)	(2,024)	26,344

2012	Balance 1 July 2011	Recognised in profit or loss (prior periods)	Recognised in profit or loss (movement)	Recognised in other comprehensive income	Balance 30 June 2012
	$'000	$'000	$'000	$'000	$'000
Deferred tax assets					
Derivative liability – fuel hedge	199	–	–	441	640
Employee provisions	4,151	55	396	656	5,258
Other accruals	199	–	(179)	–	20
Property, plant and equipment	1,220	6	2,498	–	3,724
Provisions	78	–	(39)	–	39
Tax losses	29,344	(37)	(4,548)	–	24,759
	35,191	24	(1,872)	1,097	34,440
(Deferred tax liabilities)					
Accrued income	(48)	2	3	–	(43)
Consumables	(503)	–	(56)	–	(559)
Derivative asset – fuel hedge	(568)	–	–	568	–
Property, plant and equipment	(1,448)	–	1,448	–	–
	(2,567)	2	1,395	568	(602)
Net	32,624	26	(477)	1,665	33,838

Notes to the Financial Statements

For the Year Ended 30 June 2013

Unrecognised deferred tax assets and liabilities

Tax benefits not recognised	2013 $'000	2012 $'000
Deferred tax assets – capital losses	116	116

Note 10 Profit for the period from continuing operations

Profit for the period from continuing operations was arrived at after charging the following:

(a) Employee benefits expense	2013 $'000	2012 $'000
Defined contribution plans	4,058	3,163
Defined benefit plans	111	67
Termination benefits	388	213
Other employee benefits	53,617	51,529
	58,174	54,972

(b) Other expenses	2013 $'000	2012 $'000
Depreciation of:		
Buildings, plant and equipment	1,629	1,443
Vessels	9,121	10,160
Amortisation of:		
Leasehold improvements	417	396
	11,167	11,999
Terminal operations	27,391	23,907
Administration	10,425	9,877
Security	3,649	3,505
Cost of food and beverages	2,677	3,275
Consumables	3,970	4,067
Repairs and maintenance	8,489	7,509
Bunker fuel and oil	37,256	34,422
Customer acquisition	10,204	7,908
	104,061	94,470
Total other expenses	115,228	106,469

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 11 Trade and other receivables

	2013 $'000	2012 $'000
Trade receivables	15,004	13,742
Allowance for impairment	(69)	(129)
	14,935	13,613
Other debtors	1,929	1,907
Total trade and other receivables	16,864	15,520

The average credit period taken on sales of goods and services was 29 days (2012: 27 days). No interest is charged on trade receivables. The Company has recognised an allowance for impairment of 100% against all receivables over 120 days, because historical experience has shown that receivables past due by more than 120 days are not recoverable. Allowances for impairment are recognised against trade receivables between 60 days and 120 days, based on estimated irrecoverable amounts determined by reference to the past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customers, the Company conducts credit and reference checks to assess the potential customer's credit quality and defines credit limits on a customer-by-customer basis. Credit limits attributed to customers are reviewed regularly.

Ageing past due but not impaired	2013 $'000	2012 $'000
60–90 days	1,364	1,000
90–120 days	446	416
Total	1,810	1,416

Movement in the allowance for impairment	2013 $'000	2012 $'000
Balance at the beginning of the period	129	208
Impairment losses recognised on receivables	58	3
Amounts written off as uncollectable	(91)	(3)
Amounts recovered during period	(27)	(79)
Balance at the end of period	69	129

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe there is no further credit provision required in excess of the allowance for impairment.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 12 Inventories

	2013 $'000	2012 $'000
Bunker fuel at cost	1,829	1,329
Maintenance stock at cost	986	463
Stock at cost	393	359
	3,208	2,151

The cost of inventories recognised as an expense during the period in respect of continuing operations was $51.6 million (2012: $45.0 million).

Note 13 Property, plant and equipment

Carrying amount of:	2013 $'000	2012 $'000
Cost and/or valuation	213,407	212,904
Accumulated depreciation and impairment	(16,057)	(15,986)
	197,350	196,918
Leasehold improvements (cost)	6,321	6,000
Plant and equipment (cost)	3,688	4,054
Intangibles (cost)	2,515	2,335
Vessels (fair value)	182,226	180,243
Buildings (cost 2012/fair value 2013)	2,100	3,786
Freehold land (cost)	500	500
	197,350	196,918

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 13 Property, plant and equipment (continued)

Cost or valuation	Leasehold improvements at cost	Plant and equipment at cost	Software at cost	Vessels at fair value	Buildings at cost (2012)/ fair value (2013)	Freehold land at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011	13,271	9,293	2,919	207,817	5,242	500	239,042
Acquisitions	423	872	378	1,207	50	–	2,930
Major cyclical maintenance	–	–	–	4,862	–	–	4,862
Disposals	–	(287)	–	–	–	–	(287)
Gross revaluation increment/(decrement)	–	–	–	(33,643)	–	–	(33,643)
Balance at 30 June 2012	13,694	9,878	3,297	180,243	5,292	500	212,904
Acquisitions	738	855	537	1,353	29	–	3,512
Major cyclical maintenance	–	–	–	5,295	–	–	5,295
Disposals	–	(418)	–	–	–	–	(418)
Gross revaluation increment/(decrement)	–	–	–	(4,665)	(3,221)	–	(7,886)
Balance at 30 June 2013	14,432	10,315	3,834	182,226	2,100	500	213,407

Accumulated depreciation/ amortisation and impairment	Leasehold improvements at cost	Plant and equiment at cost	Software at cost	Vessels at fair value	Buildings at cost (2012)/ fair value (2013)	Freehold land at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011	7,298	5,108	609	–	1,304	–	14,319
Disposals	–	(172)	–	–	–	–	(172)
Depreciation expense	396	888	353	10,160	202	–	11,999
Adjustments from revaluation increment/(decrement)	–	–	–	(10,160)	–	–	(10,160)
Balance at 30 June 2012	7,694	5,824	962	–	1,506	–	15,986
Disposals	–	(265)	–	–	–	–	(265)
Depreciation expense	417	1,068	357	9,121	204	–	11,167
Adjustments from revaluation increment/(decrement)	–	–	–	(9,121)	(1,710)	–	(10,831)
Balance at 30 June 2013	8,111	6,627	1,319	–	–	–	16,057

Notes to the Financial Statements

For the Year Ended 30 June 2013

Vessels carried at fair value

The Company seeks an annual independent valuation of its vessels from Mason Shipbrokers Limited and Simsonship AB. As the prevailing market for these types of vessels is predominantly in Europe, the valuation is provided in euros.

The valuation of each vessel in Australian dollars rose from $90.1 million to $91.1 million between 2012 and 2013 but reduced in euros from €74.0 million to €65.0 million. The $1.0 million increase in fair value of each vessel was the combined result of the devaluation in euros of $12.7 million, offset by a movement of $13.7 million in the exchange rate between the Australian dollar and the euro. In addition to the $2.0 million increase in value during the year for both vessels, they were depreciated by $9.1 million during the year, and this was written back on revaluation. The vessels also underwent $6.6 million of improvements and periodic maintenance, which was written down on valuation. The result of these movements was a $4.5 million vessel revaluation increment, recorded in the statement of profit or loss.

If the vessels had been carried at cost, the depreciated carrying value of both vessels would be $182.5 million.

Estimations of economic life and residual value of the vessels are key judgements in the financial statements. A 10% increase or decrease in residual value of the vessels would result in a $0.5 million decrease or increase in depreciation in the statement of profit or loss, and a $0.5 million increase or decrease in the carrying value of property, plant and equipment in the statement of financial position.

A one-year increase or decrease in the remaining estimated economic life of the vessels would have a $0.4 million decrease or increase in depreciation in the statement of profit or loss, and a $0.4 million increase or decrease in the carrying value of property, plant and equipment in the statement of financial position.

Freehold land and buildings carried at fair value

Matthew J Page of the independent valuer Knight Frank conducted a valuation of the Edgewater Hotel land and buildings to determine their fair value as at the end of the reporting period. Mr Page is a member of the Australian Property Institute. The valuation was determined by reference to recent market transactions on arm's-length terms.

Note 14 Other assets

	2013 $'000	2012 $'000
Derivative asset – fuel hedge	3,296	115
Prepaid expenses	1,211	1,336
	4,507	1,451
Current	2,646	1,406
Non-current	1,861	45
	4,507	1,451

Note 15 Trade and other payables

	2013 $'000	2012 $'000
Trade payables	8,920	10,864

The average credit period received on purchases of goods and services was 25 days (2012: 25 days). The Company has financial risk management policies in place to ensure payables are paid within pre-agreed credit terms.

Note 16 Provisions

Current	2013 $'000	2012 $'000
Workers compensation[i]	544	697
Liability for long service leave	4,822	4,485
Liability for annual leave	5,245	5,027
Liability for long-term employee benefits	404	177
Defined benefit superannuation (see note 18)	6,095	7,142
	17,110	17,528
Current	6,980	7,131
Non-current	10,130	10,397
	17,110	17,528

[i] The provision for workers compensation represents the best estimate of the future outflows relating to workers compensation claims. The estimate has been made on the basis of information received as at the end of the reporting period.

Note 17 Other liabilities

	2013 $'000	2012 $'000
Derivative liability – fuel hedge	55	2,249
Revenue received in advance	10,709	9,833
	10,764	12,082
Current	10,749	11,072
Non-current	15	1,010
	10,764	12,082

Note 18 Retirement benefit plans

The Company has employees who belong to the State of Tasmania's Retirement Benefit Fund (RBF). The RBF provides defined benefits based on years of service and final average salary. No other post-retirement benefits are provided to these employees.

Plan information

RBF members receive lump-sum benefits on resignation and lump-sum or pension benefits on retirement, death or invalidity. The defined benefit section of the RBF is closed to new members. All new members receive accumulation benefits.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Reconciliation of the defined benefit obligation

	2013 $'000	2012 $'000
Present value of defined benefit obligations at the beginning of the period	8,241	5,670
Current service cost	192	143
Interest cost	282	308
Estimated contributions by plan participants	32	38
Actuarial (gains)/losses	(1,394)	2,198
Estimated benefits paid	(102)	(106)
Estimated taxes, premiums and expenses paid	(11)	(10)
Present value of defined benefit obligations at the end of the period	7,240	8,241

Funded status

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.

Reconciliation of the fair value of scheme assets

	2013 $'000	2012 $'000
Fair value fund assets at the beginning of the period	1,099	1,020
Expected return on plan assets	81	76
Actuarial gains/(losses)	(22)	13
Estimated employer contributions	68	68
Estimated contributions by plan participants	32	38
Estimated benefits paid	(102)	(106)
Estimated taxes, premiums and expenses paid	(11)	(10)
Fair value of fund assets at the end of the period	1,145	1,099

Reconciliation of the liabilities recognised in the statement of financial position

	2013 $'000	2012 $'000
Defined benefit obligation	7,240	8,241
RBF contributory scheme assets	(1,145)	(1,099)
Net liability	6,095	7,142
Current net liability	90	92
Non-current net liability	6,005	7,050
	6,095	7,142

Superannuation expense recognised in the statement of profit or loss

	2013 $'000	2012 $'000
Service cost	192	143
Expected return on fund assets	(81)	(76)
Interest cost	282	308
	393	375

Notes to the Financial Statements

For the Year Ended 30 June 2013

Superannuation expense recognised in the statement of profit or loss and comprehensive income

	2013 $'000	2012 $'000
Recognised actuarial (gains)/losses	(1,372)	2,185

Fund assets

The percentage of fund assets invested in each asset class as at the statement of financial position reporting date is as follows:

	2013 %	2012 %
Australian equities	27	25
International equities	19	18
Fixed income	12	12
Property	15	17
Alternative/Other	24	24
Cash	3	4

Fair value of fund assets

The fair value of fund assets includes no amounts relating to:

- any of the Company's own financial instruments; or
- any property occupied – or other assets used – by the Company.

Expected rate of return on fund assets

The expected return on fund assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class, and allowing for correlations in the investment returns between asset classes. The returns used for each asset class are net of estimated tax and investment fees.

Actual return on fund assets	2013 $'000	2012 $'000
Actual return on fund assets^	60	89

^Because separate assets are not held for each company in the fund, the actual return includes any difference in the allocation of each company in the fund.

Principal actuarial assumptions at the reporting date

The key assumptions that were used to determine these amounts are set out in a report prepared by the state's actuary (Mercer), dated 12 July 2013. The key assumptions were as follows:

	2013 %	2012 %
Discount rate	4.25	3.45
Expected salary rate	3.00	3.50
Expected rate of return on fund assets	N/A^	7.50
Expected pension increase rate	2.50	2.50
Expected rate of increase of compulsory preserved amounts	3.75	3.75

^The expected return on assets is no longer applicable from 30 June 2013 due to the revised accounting standard.

Historical information

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Present value of defined benefit obligation	7,240	8,241	5,670	6,697	6,271
Fair value of fund assets	(1,145)	(1,099)	(1,020)	(1,416)	(1,354)
Deficit in plan	6,095	7,142	4,650	5,281	4,917
Experience adjustments (gain)/loss – plan assets	22	(13)	81	(6)	(99)
Experience adjustments (gain)/loss – plan liabilities	(49)	9	(314)	(374)	351

Expected contributions in 2014

	2014 $'000
Recognised actuarial (gains)/losses	90

Note 19 Issued capital and fully paid ordinary shares

	2013 $'000	2012 $'000
Ordinary shares, fully paid 328,981,230 (2012: 328,981,230)	328,981	328,981

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital, and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Note 20 Reserves (net of income tax)

Cash flow hedging reserve	2013 $'000	2012 $'000
Balance at the beginning of the period	(1,493)	860
Effective portion of changes in fair value of cash flow hedge	5,240	(782)
Transfer of hedge reserve to statement of comprehensive income	133	(2,580)
Net impact on equity before tax	5,373	(3,362)
Deferred tax liability arising on market valuation (see note 9)	(1,612)	1,009
Net impact on equity after tax	3,761	(2,353)
Balance at the end of the period	2,268	(1,493)

The Company holds derivative financial instruments designated as cash flow hedges of future fuel purchases. The table above identifies the impact of cash flow hedges on equity during the period.

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in the fair value of the hedging instruments and recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Note 21 Retained earnings

	2013 $'000	2012 $'000
Balance at the beginning of the period	(74,393)	(73,967)
Profit for the period	12,684	1,103
Other comprehensive income/(loss)	960	(1,529)
Balance at the end of the period	(60,749)	(74,393)

Note 22 Financial instruments

(a) Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the benefit to stakeholders. The Company's overall strategy remains unchanged from 2012.

The capital structure of the Company consists of net cash (cash and bank balances as detailed in note 25), and the equity of the Company (comprising issued capital, reserves and retained earnings as detailed in notes 19, 20 and 21).

The Company is not subject to any externally imposed capital requirements.

(b) Categories of financial instruments

Financial assets	2013 $'000	2012 $'000
Loans and receivables	16,864	15,520
Cash and cash equivalents	59,021	43,691
Derivative instruments in a designated hedge accounting relationship	3,296	115

Financial liabilities	2013 $'000	2012 $'000
Amortised cost	8,920	10,864
Derivative instruments in a designated hedge accounting relationship	55	2,249

(c) Financial risk management objectives

The Company's treasury function provides services to the business, co-ordinates access to financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyse exposures by degree and magnitude of risk. These risks include market risk (including bunker-fuel price risk), foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Company seeks to minimise the effect of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives as required is governed by the Company's policies as approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, bunker-fuel price risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Internal auditors review compliance with policies and exposure limits on a planned basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Company's treasury function reports regularly to the Board.

(d) Market risk

The Company is exposed to market risk in the areas of foreign exchange and bunker-fuel price.

The Company is exposed to cash flow variability in operating expenditure attributable to the purchase price of bunker fuel. This variability is mainly caused by:

- movements in the price of bunker fuel (denominated in US dollars); and
- movements in the US$/A$ foreign exchange rate.

In line with the Board-approved hedging strategy, to manage the risks associated with fluctuations in the price of bunker fuel, the Company enters into bunker-fuel swaps to exchange the US dollar–denominated floating price, which is based on the Mean of Platts Singapore (MOPS) index, into an Australian dollar–denominated fixed price.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured in the reporting period.

The table below summarises the impact on net profit and equity due to reasonably possible changes in US$/A$ exchange rates for the period ended 30 June 2013. This impact only reflects the result on the financial instrument and does not reflect the cost changes on bunker fuel. The sensitivity analysis assumes a 10% increase or decrease in the US$/A$ exchange rate, and holds all other variables (such as designations and hedge effectiveness testing results) constant.

	Net profit		Equity	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
10% increase in the US$/A$ exchange rate	(2,101)	(2,168)	(4,951)	(3,295)
10% decrease in the US$/A$ exchange rate	2,569	2,650	6,052	4,027

The table below summarises the impact on net profit and equity of reasonably possible changes in the price of bunker fuel for the period ended 30 June 2013. This impact only reflects the result on the financial instrument and does not reflect the cost changes on bunker fuel. The sensitivity analysis assumes a 10% increase or decrease in the price of bunker fuel, and holds all other variables (such as exchange rates, designations and hedge effectiveness testing results) constant.

	Net profit		Equity	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
10% increase in the price per metric tonne of fuel	2,312	2,385	5,446	3,625
10% decrease in the price per metric tonne of fuel	(2,312)	(2,385)	(5,446)	(3,625)

(e) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies, which results in exposure to exchange rate fluctuations.

(f) Interest rate risk management

The Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. An increase or decrease of 50 basis points is used when reporting interest rate risk internally to key management personnel, and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the reporting period would increase or decrease by $0.3 million (2012: increase or decrease by $0.2 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate cash deposits. The Company's sensitivity to interest rates has increased during the reporting period, mainly due to the increase in cash balance held.

(g) Credit risk management

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations, resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continually monitored, and the aggregate values of concluded transactions are spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board.

Credit risk pertaining specifically to bunker-fuel hedging is mitigated by restricting dealings to highly rated Australian and international banks and/or bunker-fuel suppliers. Each quarter a review is undertaken to confirm there has been no deterioration in the counterparties' credit standing that might impact the counterparty's ability to meet their obligations under the agreement. A similar review is undertaken prior to entering into any new agreement.

To the extent that it becomes probable that the counterparty will default, the hedge relationship is no longer expected to be highly effective and hedge accounting is discontinued.

Trade receivables involve a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company does not have any significant credit risk with any single counterparty.

The credit risk related to liquid funds is limited, as the counterparties are Australian banks with high credit ratings.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The risk associated with all other financial assets is further reduced by holding bunker-fuel hedges with more than one counterparty.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for managing the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and by continuously monitoring forecast and actual cash flows and matching the maturing profiles of financial assets and liabilities. The note below details the additional undrawn facilities the Company has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

<u>Non-derivative</u>

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities, together with agreed repayment periods. These tables are based on the undiscounted cash flows of financial liabilities and the earliest date on which the Company can be required to pay. The tables include interest and principal cash flows. They also include a reconciliation to the carrying amount in the statement of financial position, as an example of summary quantitative data about exposure to interest rates at the end of the reporting period that an entity may provide internally to key management personnel.

Notes to the Financial Statements

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Fixed interest rate maturity

2013	Floating interest rate $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets						
Cash	58,894	–	–	–	127	59,021
Receivables	–	–	–	–	16,864	16,864
	58,894	–	–	–	16,991	75,885
Financial liabilities						
Payables	–	–	–	–	8,920	8,920
	–	–	–	–	8,920	8,920

Fixed interest rate maturity

2012	Floating interest rate $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets						
Cash	43,564	–	–	–	127	43,691
Receivables	–	–	–	–	15,520	15,520
	43,564	–	–	–	15,647	59,211
Financial liabilities						
Payables	–	–	–	–	10,864	10,864
	–	–	–	–	10,864	10,864

Derivative

The liquidity of the hedging instrument is assessed at each effectiveness measurement date. Changes in the fair value of the hedging instrument arising from any deterioration in its liquidity will be incorporated into the effectiveness testing based on the hypothetical derivative method. Any resulting ineffectiveness will be immediately recorded in the income statement. In this respect, the hypothetical derivative will be a highly liquid instrument.

The following table indicates the periods in which cash flows associated with derivatives that are cash flow hedges are expected to occur.

2013	Expected cash flows $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000
Bunker fuel swap:				
Assets	3,296	1,435	1,861	–
Liabilities	(55)	(40)	(15)	–

Notes to the Financial Statements

For the Year Ended 30 June 2013

2012	Expected cash flows $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000
Bunker fuel swap:				
Assets	115	70	45	–
Liabilities	(2,249)	(1,239)	(1,010)	–

Financing facilities	2013 $'000	2012 $'000
Unsecured bank overdraft facility, reviewed annually:		
Amount unused	15,000	15,000

(i) Fair value of financial instruments

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions.

Non-derivative

	2013		2012	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Cash	59,021	59,021	43,691	43,691
Receivables	16,864	16,864	15,520	15,520
Financial liabilities				
Payables	8,920	8.920	10,864	10,864

Derivatives

The fair value of bunker-fuel swaps is based on mark-to-market valuation reports provided by the relevant counterparties. The difference between the contractual forward price and the mid-market settlement rate at close of trade on the relevant day determines the respective cash flows for the relevant periods. These cash flows are discounted to determine the mark-to-market value for each period. Derivative instruments are carried at fair value.

(j) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are derived from inputs other than the quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at FVTPL				
Derivative financial assets	–	3,296	–	3,296
Total	–	3,296	–	3,296
Financial liabilities at FVTPL				
Derivative financial liabilities	–	55	–	55
Total	–	55	–	55

2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at FVTPL				
Derivative financial assets	–	115	–	115
Total	–	115	–	115
Financial liabilities at FVTPL				
Derivative financial liabilities	–	2,249	–	2,249
Total	–	2,249	–	2,249

There were no transfers between Level 1 and 2 in the reporting period.

Note 23 Director and key management personnel compensation

The aggregate compensation made to Directors and other key management personnel is set out below:

Non-executive Directors' remuneration

2013

Band	Number of Directors	Aggregate Directors' fees $	Committee fees $	Superannuation $	Other $	Total $
> $80,000	1	77,252	4,634	7,370	–	89,256
$40,001–$80,000	5	193,158	15,445	18,780	–	227,383
=/< $40,000	1	28,181	–	2,536	–	30,717
Total	7*	298,591	20,079	28,686	–	347,356

*Number of non-executive Directors at 30 June.

2012

Band	Number of Directors	Aggregate Directors' fees $	Committee fees $	Superannuation $	Other $	Total $
> $80,000	–	–	–	–	–	–
$40,001–$80,000	6	285,462	22,335	27,702	–	335,499
=/< $40,000	–	–	–	–	–	–
Total	6*	285,462	22,335	27,702	–	335,499

*Number of non-executive Directors at 30 June.

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For the Year Ended 30 June 2013

Note 23 Director and key management personnel compensation (continued)

2011

Band	Number of Directors	Aggregate Directors' fees $	Committee fees $	Superannuation $	Other $	Total $
> $80,000	1	73,969	4,479	7,060	–	85,508
$40,001–$80,000	5	147,925	14,928	14,658	–	177,511
=/< $40,000	1	72,434	–	6,549	–	78,983
Total	7*	294,328	19,407	28,267	–	342,002

* Number of non-executive Directors at 30 June.

Mr C Griplas is an executive Director who receives no Directors' fees or benefits for his role as a Director.

Non-executive Directors are appointed by the shareholders. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be reappointed.

The level of fees paid to non-executive Directors is administered by the Department of Premier and Cabinet, as are additional fees paid for their work on Board committees.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation.

No other leave, termination or retirement benefits are accrued by or paid to Directors.

Directors are entitled to reimbursement of expenses incurred while attending to Board business.

Non-executive Directors' remuneration is reviewed periodically. Increases are subject to approval by the Treasurer and the Portfolio Minister.

Key management personnel remuneration

		Cash			Other			
	Number of key management personnel	Total base salaries $	Bonuses $	Short-term incentive payments $	Superannuation $	Vehicles $	Other benefits $	Total $
2013	8*	2,000,431	–	258,460	164,935	110,025	27,851	2,561,702
2012								2,276,458
2011								2,150,568

* Number of key management personnel at 30 June.

The Company has in place a Board-endorsed remuneration policy. The objective of the policy is to provide clear guidelines regarding all aspects of remuneration, and to ensure employees are paid in accordance with relevant contracts of employment and that reference is made to market salary rates for all positions.

The Company conducts an annual review of executive employee remuneration. The purpose of the annual remuneration review is to remunerate employees in a way that will:

- retain and motivate high-quality employees;
- reward exceptional performance;
- be relative to external employment markets; and
- be relative to the Company's performance.

Two components of remuneration are reviewed as part of the annual remuneration review:

- salary; and
- performance incentives.

Any changes to salary or performance incentives for executive employees are payable at the discretion of the Board Remuneration Committee.

The Company has in place a Board-endorsed standard contract for new executive employees. The contract outlines all applicable terms and conditions such as remuneration reviews, leave entitlements, confidentiality and termination.

For AASB124 disclosure, the difference between the above disclosure table and the following table is the movement in employee entitlement provisions:

AASB124: Key management personnel compensation	Short-term benefits $	Post-employment benefits $	Other long-term benefits $	Total $
2013	2,763,256	193,621	184,664	3,141,541
2012	2,438,878	189,822	137,676	2,766,376

Note 24 Related-party transactions

Transactions with key management personnel

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company and there were no material contracts involving Directors' interests at the end of the reporting period.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

During the reporting period the Company provided $130,050 (2012: $132,500) in sponsorships to the Tourism Industry Council Tasmania. Mr B Dwyer and Mr C Griplas are Directors of the Tourism Industry Council Tasmania, for which they both receive no remuneration.

Details of the Company's key management personnel compensation are disclosed in note 23.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 25 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, and investments in short-term money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2013 $'000	2012 $'000
Cash and cash equivalents	59,021	43,691

Cash flows from operating activities	2013 $'000	2012 $'000
Profit for the period	12,684	1,103
Gain on the sale of non-current assets	(4)	(9)
Asset impairment	(2,945)	23,483
Depreciation	10,750	11,603
Amortisation – leasehold improvements	417	396
Income tax (benefit)/expense	5,470	451
Movements in working capital		
(Increase)/decrease in trade and other receivables	(1,344)	(2,396)
(Increase)/decrease in inventories	(1,057)	(194)
(Increase)/decrease in prepaid expenses	125	(713)
Increase/(decrease) in trade and other payables	(1,944)	(846)
Increase/(decrease) in revenue received in advance	876	789
Increase/(decrease) in provisions	951	1,509
Net cash provided by operating activities	23,979	35,176

Note 26 Operating lease arrangements

Operating leases

Operating leases relate to the dock areas at Devonport and Melbourne terminals, and information technology leases. All leases are non-cancellable leases.

Non-cancellable operating lease payments	2013 $'000	2012 $'000
Not longer than one year	3,454	3,602
Longer than one year but not longer than five years	8,571	9,606
Longer than five years	9,195	8,940
	21,220	22,148

The Company also acts as lessor with regard to the gaming and general stores on board the vessels, where these areas are leased to specialist third-party operators.

Notes to the Financial Statements

For the Year Ended 30 June 2013

Note 27 Commitments for expenditure

Capital expenditure commitments (not longer than one year)	2013 $'000	2012 $'000
Vessel dry dock	4,881	1,168

Lease commitments

Non-cancellable operating lease commitments are disclosed in note 26 to the financial statements.

Note 28 Remuneration of auditors

Auditor of the Company	2013 $	2012 $
Audit of the financial report	65,220	62,710

The auditor of the Company is the Tasmanian Audit Office.

Note 29 Events after the reporting date

No matters or circumstances have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future reporting periods.

Note 30 Contingent assets and liabilities

There were no material contingent assets or liabilities as at 30 June 2013 (2012: Nil).

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