TT-LINE COMPANY PTY LTD 2014 - 2015

ANNUAL REPORT

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 commercially sustainable 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

TT-Line Company Pty Ltd reported a profit after tax of $1.2 million for the year ended 30 June 2015 (2013/14: $10.4 million).

For an impressive ninth year in succession, TT-Line recorded an operational profit. The 2014/15 figure of $17.5 million (2013/14: $11.6 million) was thanks to record freight volumes and an increase in passenger numbers.

The valuation of 62 million euros for each of the Spirit of Tasmania vessels (the ships are valued in euros as this is their primary market) did not change in 2014/15 compared to the previous financial year. This is reflective of an improved ferry resale market. With this in mind, the Directors wrote off vessel refurbishment costs as at 30 June 2015 ($20.1 million) and will realise any change in market value of the vessels in 2015/16.

Passenger numbers increased in 2014/15 to 384,501 (2013/14: 357,619), an increase of eight per cent. Further, day sailing passenger numbers increased by 20 per cent, thanks in part to an additional 17 sailings completed in the reporting period. In general, an average fare decrease helped increase passenger numbers.

These numbers are very important in that passengers travelling on a Spirit of Tasmania vessel spent approximately $440 million in Tasmania during 2014/15. This is on top of the company's direct and indirect spend in the state, covering salaries paid and goods and services purchased, of approximately $66 million.

TT-Line carried a record 102,309 twenty-foot equivalent units (TEUs) in 2014/15 (2013/14: 98,511).

As I have noted in previous Annual Report messages, safety is of critical importance to the Board and the company. This continues to be the case.

Safety is an agenda item at each and every Board meeting. It is therefore pleasing to report that the company again enjoyed extended lost-time injury-free periods in 2014/15. A number of factors have contributed to the company's overall safety performance, including a new mental health education and awareness program, an appropriate workplace behaviour program and continuation of an injury prevention program.

In February 2015, TT-Line appointed Trimline, a UK-based company, as the turn-key contractor to refurbish the Spirit of Tasmania vessels.

Though this work was completed outside the 2014/15 reporting period, I would like to formally record here that Trimline, its subcontractors and TT-Line staff did an outstanding job in delivering the remodelled and refurbished Spirit of Tasmania I and II vessels on time and on budget.

Understandably, the project was a complicated one, not only because of the type of work that was required but also because some of the works needed to be completed while maintaining the overnight sailing schedule. However, the project was well planned and well executed.

The Board is also very pleased that 21 Tasmanian-based subcontractors were commissioned by Trimline to work on the project. This provided an important economic boost to the state and in particular to the north-west coast where the bulk of the work was undertaken.

TT-Line's partnership with the North Melbourne Football Club has been an important one for the Company. Not only has it delivered exposure for the Spirit of Tasmania brand into our key market of Victoria, and around Australia through national television coverage of AFL games, there have been flow-on business and community benefits in Tasmania.

The TT-Line Board (from left) Robert Heazlewood, Anthony Tobin, Dr Jeffrey Hawkins, Chairman Michael Grainger, Chief Executive Officer Bernard Dwyer, Suzanne Ewart and Rodney Chadwick.

The three games played at Blundstone Arena in calendar year 2015 against Richmond, the West Coast Eagles and St Kilda were sell-outs, demonstrating the community's strong support for AFL games in Tasmania. The benefits our sponsorship with the North Melbourne Football Club has delivered to the whole of the state should not be underestimated.

Former Chief Executive Officer Charles Griplas left TT-Line on 1 July 2014 after announcing his resignation in May of the same calendar year. Chief Financial Officer Stuart McCall was appointed interim CEO while a recruitment process to identify a permanent replacement was undertaken. I would like to thank Mr McCall for his loyalty, dedication and hard work during this period.

Current CEO Bernard Dwyer officially began in the position on 3 November 2014 after 14-years in various senior management positions with the Federal Group, including nine years as its director of Tourism.

Given the Tasmanian Government's desire to see visitor numbers to Tasmania increase, and the critical role TT-Line's vessels will play in this, in appointing Mr Dwyer the Board was confident his experience in senior tourism and general management roles would be extremely beneficial to the future operations of TT-Line. This has proven to be the case, with Mr Dwyer's determination, attention to detail and professional approach, the company is in a very good position to build on recent successes through the refurbished and remodelled vessels.

I would also like to thank my fellow Directors, TT-Line managers and all Spirit of Tasmania employees for their hard work over the reporting period. Our results clearly are testimony to their collective commitment to deliver a quality passenger, passenger-vehicle and freight ferry service.

And finally I would like to acknowledge our shareholder ministers – the Minister for Infrastructure, Rene Hidding, and the Treasurer, Peter Gutwein, for their support of the company since their election in March 2014. Both the Minister and the Treasurer have played a critical role in the reporting period given some of the important decisions we have taken. The Chairman / shareholder relationship is crucial in terms of keeping the company on an even keel, and I look forward to continuing to work diligently with our shareholder ministers in 2015/16.

Michael Grainger
Chairman

Report from the Chief Executive Officer

As noted in the Chairman's message, Spirit of Tasmania passenger numbers increased by eight per cent in 2014/15.

This very pleasing result was assisted by an eight per cent (in real terms) decrease in passenger fares thanks to the removal of the carbon tax surcharge and additional promotional fares.

The marketing and media campaigns implemented by the company also clearly played a role in this result given significant website traffic increases, advertising recall and customer satisfaction surveys.

Record freight volumes were also achieved in 2014/15 – 102,309 twenty-foot equivalent containers were carried (2013/14: 98,511).

Both passenger numbers and freight volumes carried represent excellent results for the company and support the very focused strategy that the company has embarked upon.

The commencement of the refurbishment project for Spirit of Tasmania I and II was an obvious highlight of the reporting period.

Specifically, the refurbishment works deliver:

- A self-service restaurant area, TMK – Tasmanian Market Kitchen, offering a fresh selection of crowd favourites including a Tasmanian signature dish of the day.
- A new 'grab and go' shop, The Pantry, offering a wide range of convenient food and beverage options and Tasmanian products.
- Two new cinemas screening latest release movies.
- A fully refurbished recliner lounge with brand new comfortable recliners, equipped with individual reading lights, tray table, and USB port.
- Fully refurbished Deluxe Cabins and new soft furnishings in all other cabins.
- Fully refurbished upper decks with astro turf flooring, deck chairs and comfortable lounges.
- Family entertainment, including an arcade-style teen zone and kids play area.
- Three stylish new bars (Bar 7, Top Deck Lounge and The Terrace Lounge Bar) showcasing Tasmanian wines, ciders and beers along with a variety of bar snacks.
- Upgraded tourist information hub to assist passengers to plan their holiday.
- 28 new flat-screen TVs located throughout the ships.
- New internal décor, lighting and colour schemes throughout the ships.

Passengers are also able to access a range of free media from all internal public areas (deck seven, ocean recliners on deck eight and decks nine and 10) by joining the ships' new Wi-Fi network from their own devices.

Annual brand research was undertaken in December 2014 revealing that Spirit of Tasmania is highly dominant as the top of mind brand for Tasmania.

Customer experience research was undertaken in January/February 2015. Pleasingly, the research found that contact with staff was almost always positive.

Spirit people

As any clever and focused company knows, its best asset and competitive advantage lies in its people. TT-Line certainly subscribes to this view and celebrates the fact that our people are the best in the Industry. Their skills cover all aspects of not only marine services but the key areas of hospitality as well.

It has been our people all working together that has enabled us to achieve the amazing results TT-Line has delivered over the past 12-months.

The Company is strongly committed to passenger and employee safety and injury prevention. The Injury Prevention Program established in 2011 was again expanded in 2014/15 to include mental health sessions.

This built on our existing investment in injury prevention activities that included physiotherapy services, an exercise physiology program, manual handling training, wellbeing activities and a targeted conditioning program.

Appropriate workplace behaviour training for all employees also continued in 2014/15. This reinforces the company's commitment to create and maintain a working environment that is safe, fair, comfortable and free from all forms of inappropriate behaviour.

As a result of the substantial lost-time injury-free periods, the company made numerous donations to Tasmanian charities and worthwhile organisations.

Known as the Community Spirit program, it enables work groups that achieve injury-free periods to select and support local charitable organisations.

To further the investment in our people's skills and talents the Company is trialling a new Learning Management System (LMS). The LMS is a platform accessible to all employees from any location via the internet that contains self-paced training programs, instructional videos and policy updates.

The Company's Consultative Committee continues to lead the industry in the way it facilitates a harmonious workplace. The committee, comprising management, employees and union representatives, meets twice a year to discuss workplace issues.

Tight teamwork has been evident over the past 12 months - a time of rapid change - and our people have been willing to engage with our customers, our programs as detailed, and each other with a common goal of delivering the company's core objectives.

TT-Line supports White Ribbon Australia, fifty two women die because of domestic violence every year

Community support

TT-Line was a strong supporter of Tasmanian organisations, events and charities in 2014/15.

The Company provided funding support to the Tourism Industry Council Tasmania, including sponsorship of its 2015 Tasmanian Tourism Conference. Spirit of Tasmania was also a gold sponsor at the 2015 Cradle Coast Regional Tourism Forum and Awards.

Spirit of Tasmania and the Maritime Union of Australia hosted its second charity luncheon to support White Ribbon Day (25 November) raising nearly $60,000 for White Ribbon Australia, Australia's only national, male-led prevention campaign to end men's violence against women. The luncheon, hosted by Spirit of Tasmania, also raised awareness among TT-Line stakeholders about the need to further educate the community about what can be done to prevent violence against women. Five White Ribbon ambassadors are employed by TT-Line.

Crew on board Spirit of Tasmania I organised a "Shave for a Cure" day on the 16 March day sailing from Devonport to Melbourne to raise money for the Leukaemia Foundation. Participating crew shaved each other's heads during the crossing and invited passengers to join in and donate to the cause. The effort raised nearly $22,000 that will be used to provide practical and emotional support to people with blood cancer, as well as investing in vital research to find better treatments and cures. The team placed eighth overall in the official *World's Greatest Shave* Vic/Tas Top 30 Awards and raised the highest amount of funds in Tasmania.

Appin Hall launched a children's book in June that featured photographs taken on board Spirit of Tasmania. The Company contributed to the publishing costs. All proceeds from the sale of the book will help seriously ill and disadvantaged children.

Other organisations that benefited from sponsorships in 2014/15 were the Devonport Rotary Club, Second Count Gala Ball, The Heart Foundation, Central Highlands Buskers Bash, UTAS Formula SAE Team, Think Pink Ball (Launceston), Devonport Chamber of Commerce Port Dinner, Run Devonport, The Blue Angel Project, Australia's Biggest Morning Tea, Movember, The Lord's Taverners Australia, Rotary Club of Hobart (Science and Engineering Challenge), National Historical Machinery Association Rally, CMCA Van Demons Chapter Rally, 1st Scouts Penguin Group, City of Devonport Mayor's Charity Gala at Don College, Tour de Cure Team Pedal Power, Mates 4 Mates, Ride and Hike for Cystic Fibrosis and The Baskerville Foundation.

TT-Line also continued its sponsorship of Targa Tasmania in 2014/15. The Company has been a sponsor since the first Targa in 1992.

The Company supported the North Melbourne Football Club Community Camp and Family Day in February. The club's annual family day at Arden Street attracted about 4,000 people.

Travel experience

TT-Line monitors competitor activity on a weekly basis. When comparing return air fares between Melbourne and Hobart and car hire with Spirit of Tasmania return fares for two adults, two children with car passage, Spirit fares were the lowest from July 2014 to October 2014, and again between February 2015 and May 2015. Spirit fares were never the highest price, the comparison found.

Post sailing customer feedback surveys revealed that holidays and visiting friends and relatives were the major reasons for travelling on the vessels.

Travelling with a vehicle was the biggest motivator for sailing with Spirit of Tasmania, with almost all respondents rating this as their reason for sailing. No luggage restriction was also a key consideration.

Intention to travel again was consistently high across the 12 months of the reporting period.

Research conducted by the company in 2014/15 found that contact with staff was always positive – the majority of customers surveyed rated the Customer Contact Centre as "extremely good service".

The research identified the top three elements about Spirit of Tasmania as follows:

- Cabins/bed/comfort/spacious/clean/port hole view.
- Staff/friendly/helpful/good service/well organised.
- The whole experience/enjoyable/fun trip/unique/adventure.

Safety and reliability

The entire TT-Line community takes the safety of its passengers and the reliability of its vessels very seriously. The officers and crew on board Spirit of Tasmania I and II are highly trained and skilled.

The vessels are held to the highest industry standards of certification and compliance. Behind the high standards of face-to-face customer service is a strict regime of constant statutory training, drills, certification, internal and external audits, surveys and equipment maintenance.

In the previous 12-months all officers and crew attended a five-year refresher course, which includes elements of crowd control, survival techniques and firefighting.

Spirit of Tasmania II attended dry dock in 2014 and underwent some significant upgrades. These included an upgrade of the underwater paint system to an even more environmentally friendly and fuel efficient system, installation of two new exhaust gas economisers, replacement of the main uninterrupted power supply (UPS) unit, installation of new emergency lighting batteries and a major upgrade to large sections of the air conditioning systems.

Planning was undertaken in the reporting period for a number of new upgrades in conjunction with the 2015 dry dock of Spirit of Tasmania I, including a new oily water separator system that provides greater environmental controls, a new fast rescue boat and the first stage of a four year upgrade program to the stabilisers on both vessels. The new stabilisers will replace the mineral oil with biodegradable oil that would protect the marine environment in the event of a leak.

Environment

TT-Line completed its sixth year of reporting under the Federal Government's National Greenhouse Energy and Reporting (NGER) Act 2007, for the 2014/15 year.

The company's report under NGER was submitted to the appropriate Federal Government Department within the required deadline of 31 October 2014.

TT-Line will report on the 2014/15 NGER data by 31 October 2015.

As part of the company's recycling program nearly 31,000 kilograms of glass has been removed from the vessels for recycling. The company also recycles paper and cardboard both on shore and on the vessels.

Retail and hospitality

The Company continued to showcase Tasmanian produce on board. Ninety three per cent of wine served and 80 per cent of all food is purchased through Tasmanian suppliers.

More product from Boag's Brewery was also introduced to further increase the Tasmanian theme throughout the on board bars.

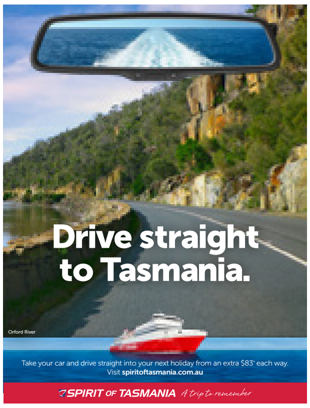
Tasmanian gourmet food and beverage suppliers were again provided with the opportunity to provide passengers with a chance to sample a range of Tasmanian-grown and produced fare through the Flavours of Tassie program.

New producers were added to the list of 30 Flavours of Tassie suppliers in 2014/15 – Rhubru, Petuna, Eee's Bees, White Rock Vineyard, Riverstone Oil and Bruny Island Food.

As part of the Flavours of Tassie showcase, two 20-litre barrels of whisky from Lark Distillery in Hobart were matured on board Spirit of Tasmania I and II for two years. The whisky will be released in a number of limited edition bottles.

Training continued to be a key activity for retail and hospitality employees. Courses undertaken included wine knowledge, Tasmanian wines, Hazard Analysis Critical Control Point (HACCP) food safety, ongoing HACCP management training and skill and competency-based modules for relief supervisors and duty managers.


Lamb shanks
Tasmanian



Marketing

The marketing campaign schedule comprised 12 campaigns - six brand campaigns and six retail campaigns offering discounted travel for spring, summer, autumn and winter periods, with offers ranging from 'kids travel free' to package deals.

Mainstream media including TV, press and radio advertising ran for 35 weeks of the year, with digital media running for 52 weeks as part of the company's "always-on" digital strategy. The key markets targeted via mainstream media were Tasmania, Victoria and southern NSW.

Mainstream media accounted for more than 75 per cent of the company's media spend, the remaining 25 per cent spent on digital media including online, social media and search.

The 'Discover The New Spirit of Tasmania' teaser campaign commenced in May 2015 with the launch of a new microsite (spiritoftasmania.com.au/discover) followed by four weeks of mainstream and digital advertising announcing the refurbishment.

The Company and Tourism Tasmania signed a three-year formal memorandum of understanding (MOU) that will assist TT-Line to further grow passenger numbers for the benefit of the state's tourism industry. The MOU represents a commitment by both parties to work together to create demand for travel to the state. The MOU specifically references co-developing joint marketing opportunities, sharing relevant market research, collaboration on key events, joint trade and media familiarisation programs and social media.

Traffic to spiritoftasmania.com.au increased by seven per cent compared to 2013/14. Victoria accounted for more than half of these visits.

Traffic from mobile devices increased by nearly 60 per cent, with bookings from mobiles almost doubling. Tablet website traffic increased by more than eight per cent with tablet bookings increasing by nearly 28 per cent. This clearly indicates that website visitors are now more likely to browse on a mobile or tablet device and book from that device.

Email subscribers increased by more than 30 per cent in 2014/15. Spirit of Tasmania sent nearly 4.5 million emails to subscribers in the reporting period, with more than 2.2 million featuring a retail offer. The distribution of these emails resulted in close to 28,000 passengers booking.

Spirit of Tasmania's social media interactions increased significantly across all platforms in 2014/15 – Facebook likes increased by 56 per cent, Twitter followers by 21 per cent, YouTube subscribers by 105 per cent, Instagram followers by 367 per cent and Pinterest followers by 50 per cent.

Video and blogging content on Facebook and YouTube were the main factors behind increases on these platforms. The significant rise in Instagram followers is due entirely to an increase in content production with ship staff posting interesting onboard content during sailings.

Spirit of Tasmania hosted 25 industry partners from Victoria, New South Wales and South Australia across three familiarisation tours that visited nearly 20 tourist and general attractions across the state.


Partnering with Tourism Tasmania, TT-Line attended the Australian Tourism Exchange for the first time in five-years. Company representatives met with 86 inbound buyers over the four-day exchange.

Spirit of Tasmania continued its Visiting Influencer Program in partnership with Tasmanian tourism operators to bring journalists and bloggers to Tasmania. Journalists who travelled with the company represented national and specialty magazines, press, TV shows, online publications and blogs.

Spirit of Tasmania supported The Footy Show's broadcast from Hobart in May on the eve of the North Melbourne v Richmond game. Spirit of Tasmania received significant exposure during the broadcast to a national audience in our key markets.

The 2014/15 year included the first year of a new two-year sponsorship agreement with the North Melbourne Football Club (NMFC) to play six games in Hobart (three each year). The company continued to take advantage of signage at Blundstone Arena in Hobart and Etihad Stadium in Melbourne. The Spirit of Tasmania logo also featured on the NMFC media backdrop for use at all media conferences and promotions and also featured on the coaches' apparel, providing invaluable media exposure for the brand.

North Melbourne's engagement with Tasmania away from match days continued. Activities such as the first year player camp, clinics and player / staff appearances were all extremely popular. The North Melbourne schools program reached more than 6,000 primary school children across greater Hobart, while its Hop to It program with Neighbourhood Houses was also a success.

The Company's partnership with the NMFC has provided an important vehicle for us to promote Tasmania as a holiday destination to TT-Line's key markets during the winter months, delivering Spirit of Tasmania with significant brand recognition through national television coverage.

Public Interest Disclosure

During the year ended 30 June 2015, the company received no disclosures that were determined to be public interest disclosures.

In closing, I would like to acknowledge the efforts of all our staff. It has been a very busy 12 months, compounded by the work required on both vessels during the refurbishment project. It could only have happened on time and on budget thanks to the amazing teamwork and dedication of every employee within the Company.

Bernard Dwyer

CEO

Ship facts

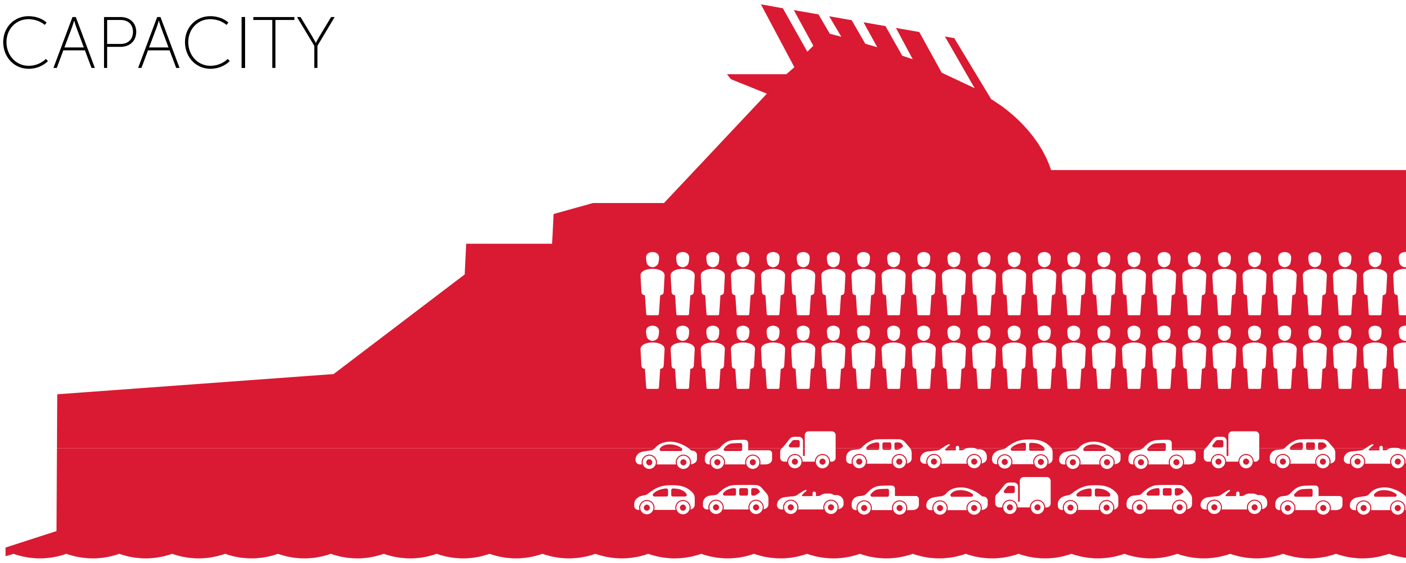
OWNER TT-LINE COMPANY PTY LTD BUILDE
SHIP TYPE RO/RO PASSENGER V/L CLASS AN

OVERALL LENGTH
194.33M

GROSS TONNAGE
29,338

DEAD WEIGHT
5,651T

CAPACITY



- 59 TWIN BED PORTHOLE CABINS
- 72 FOUR BED PORTHOLE CABINS
- 81 TWIN BED
- 8 DELUXE CABINS
- 222 TOTAL CABINS
- 121 RECLINERS
- LICENSED TO CARRY 140

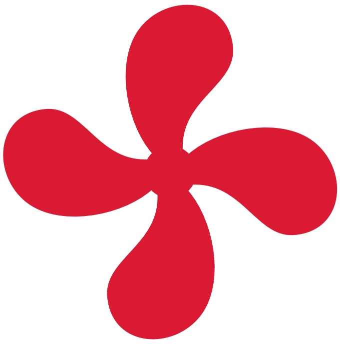
SPEED, TIME & DISTANCE

AVERAGE SPEED IN KNOTS 27

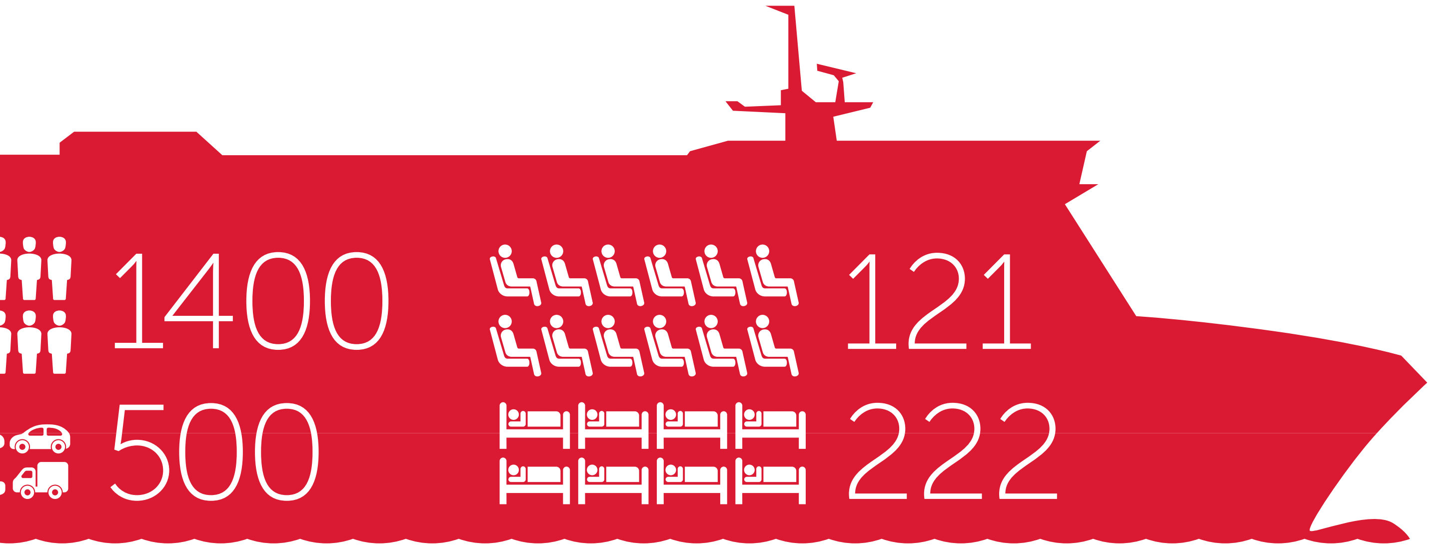
1 KNOT EQUALS 1 NAUTICAL MPH

CROSSING TIME (HRS)
9-11

ER KVAERNER MASA-YARDS FINLAND YEAR BUILT 1998
MERICAN BUREAU OF SHIPPING FIRST COMMERCIAL CROSSING 1 SEPT 2002



ENGINES 4X4 STROKE SINGLE
ACTING TURBO CHARGED DIESEL.
10,560KW EACH
TWIN VARIABLE PITCH PROPELLERS
VIA REDUCTION GEARBOXES 510/147 RPM



/FOUR BED INSIDE CABINS • 2 WHEELCHAIR ACCESSIBLE CABINS
00 PASSENGERS AND 500 STANDARD VEHICLES

DISTANCE FROM
MELBOURNE TO DEVONPORT

429KM

232 NAUTICAL MILES

TT-LINE COMPANY PTY LTD

EXPLANATION OF THE NUMBERS STATEMENT [1]

FOR THE YEAR ENDED 30 JUNE 2015

	2015 $'000	2014 $'000
Revenue from operations[2]		
Spirit of Tasmania	203,987	195,398
Other Revenue	1,940	1,926
	205,927	197,324
Expenses from operations[2]		
Spirit of Tasmania	(172,787)	(170,352)
Other expenses	(1,860)	(2,069)
	(174,647)	(172,421)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**31,280**	**24,903**
Depreciation and Amortisation		
Spirit of Tasmania	(16,313)	(15,205)
Other	(75)	(74)
	(16,388)	(15,279)
Earnings before interest and tax (EBIT)	**14,892**	**9,624**
Interest expense	(330)	(305)
Interest income	2,930	2,323
Underlying operational profit	**17,492**	**11,642**
Represented as follows;		
Spirit of Tasmania	17,487	11,859
Other	5	(217)
Underlying operational profit	**17,492**	**11,642**
Reconciliation to audited profit/(loss) for the period		
Underlying operational profit	17,492	11,642
Accounting adjustments:		
Valuation of asset ships adjustment	(15,820)	3,204
Profit before taxation equivalent expense	1,672	14,846
Taxation (expense)/benefit	(517)	(4,463)
Profit for the period audited	**1,155**	**10,383**

1. Explanation of the numbers statement is unaudited.
2. Includes revenue and expenses from internal operations.

TT-LINE COMPANY PTY LTD

Annual Financial Report

FOR THE YEAR ENDED 30 JUNE 2015

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 Australian Securities Exchange (ASX) Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition), including eight principles central to good corporate governance.

The Company's 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 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
- 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 used to achieve the objectives of the Company
- recommending the Company's dividend policy
- appointing and determining conditions of service for the Chief Executive Officer (CEO), including remuneration and performance monitoring procedures
- ratifying the executive team's appointment and conditions of service, including remuneration and performance monitoring procedures
- reviewing the performance of the CEO and the executive team, in conjunction with the CEO and in accordance with agreed procedures
- ensuring timely and effective reporting on all major matters to shareholders, 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 compliance processes with all regulatory requirements and standards, including environmental, health and safety obligations
- reviewing and approving all major policies
- overseeing the operation and performance of all Board committees.

Directors are entitled to request and receive 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 regarding issues they have considered to the full Board. Committee members are accountable to the Board.

The committees, as at the reporting date, were:

- Audit and Risk
- Remuneration
- Director Nomination.

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

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

The CEO conducts formal performance appraisals of all direct reporting senior executive team members annually.

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 Tasmanian Government's Treasurer, and Minister for Infrastructure. Directors are appointed according to the *Guidelines for Tasmanian Government Businesses – 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 Chairman and other non-executive Directors are independent Directors. For more information about the Directors, see the included Directors' report.

The Board's performance is reviewed annually.

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

3. Act ethically and responsibly

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 representing the Company. The Company's Code of Conduct is available at 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.

The Company also has an ethics policy that promotes equity and diversity. At the reporting date, of the whole Company, approximately 49 per cent of employee's were female and 51 per cent were male.

4. Safeguard integrity in corporate reporting

The Board has established an Audit and Risk Committee. Mr Rodney Chadwick was the acting Chairperson until Ms Suzanne Ewart was appointed the Chairperson of the committee in August 2014. Mr Rodney Chadwick remained a committee member; the other members are Mr Michael Grainger and Mr Anthony Tobin. This committee has a formal Charter that is reviewed by the Board.

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.

For more information about the Directors, see the included Directors' report.

5. Make timely and balanced disclosure

The Company is not a listed company and therefore is not obliged to report to the ASX.

6. Respect the rights of security holders

The Company conducts briefing sessions with its shareholders or their representatives after each Board meeting, and 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 referred to in 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 Board, and the Audit and Risk Committee in particular, 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 risks.

The Audit and Risk Committee recognises risk management and compliance as integral to good corporate governance and fundamental in achieving the Company's strategic and operational objectives. Risk management improves decision-making, defines opportunities and mitigates material events that may impact reputation and the ability to conduct business. To this end, the Board and the Audit and Risk Committee try to balance the potential cost of a risk with the benefit from exposure to the risk and the cost of controlling the risk.

The recognition of risk, subsequent treatment of risk and commitment to compliance as part of enterprise risk management is in accordance with the guiding principles of:

- ISO 31000 – Risk Management (International Standard)
- AS3806 Compliance Programs (Australian Standard).

The Company has identified the following as being potential economic or environmental risks:

- Reduced passenger and freight volumes – to mitigate this risk, the Company has implemented an agile marketing and passenger sales strategy. This is supported by a freight retention plan; a dynamic yield and inventory management plan and regular competitor analysis.
- Major environmental disaster – to mitigate this risk, the Company maintains a comprehensive safety management system; trained, qualified and competent personnel are in control of the vessels; and personnel are regularly drilled in emergency response procedures including firefighting, grounding and hull failure.
- Adverse movement in fuel costs – to mitigate this risk, the Company has implemented a fuel hedging strategy. This is supported by regular pricing reviews and competitor pricing analysis.

The Company does not have any significant social sustainability risks in its risk profile, but has a vision to actively contribute to the long-term economic prosperity of Tasmania. To aid social sustainability the Company supports the White Ribbon Foundation that seeks to stop violence against women. The Company also supports the Tasmanian community through its Flavours of Tasmania program, which allows local producers to showcase their product, and sponsors the Tourism Industry Council of Tasmania and North Melbourne Football Club's Australian Football League (AFL) games played in Hobart.

The Company maintains a robust internal audit function that provides an independent appraisal service to management, the Audit and Risk Committee and the Board. The internal audit function is accountable to, and reports directly to the Audit and Risk Committee.

The Audit and Risk Committee, in conjunction with management, establishes the scope of internal audit activities each year through the approval of the annual audit plan. The plan, as a minimum includes the following elements:

- A program of baseline reviews to assess the adequacy of control frameworks for key financial systems.
- An assessment of compliance with key controls in selected systems.
- A review for risk exposure, efficiency and effectiveness and the need for controls in new systems as determined by management and the Audit and Risk Committee.

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 the senior executive team's remuneration policies and incentive programs. The committee approves market based movements in remuneration as part of the annual remuneration review for the senior executive team. The Remuneration Committee is responsible for recommending movements in the senior executive team salary levels to the Board.

The Company has a Board endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance guidelines for Director and executive remuneration dated December 2014.

Directors' fees are set by the Tasmanian Government.

Mr Rodney Chadwick chairs the Remuneration Committee, and its other members at the reporting date were Mr Michael Grainger and Ms Suzanne Ewart.

For more information about the Directors, see the Directors' report.

DIRECTORS' REPORT

The Directors of TT-Line submit herewith the annual financial report of the Company for the financial year ended 30 June 2015. 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. He is a member of the Audit and Risk Committee and the Remuneration Committee. Mr Grainger is the Managing Director of Liferaft Systems Australia Pty Ltd, Chairman of the international shipping organisation Interferry, Chairman of the Brand Tasmania Council and a member of the Det Norske Veritas International Ferry Committee.

Mr Anthony Tobin

Mr Tobin joined the Board in 2005 as a non-executive Director and is a member of the Audit and Risk Committee. He is a founding partner of Gilbert + Tobin lawyers and holds a number of directorships in the private and public sectors. Mr Tobin is a member of the Council of the University of Technology Sydney and is Chairman of the Physical Infrastructure Committee of the Council.

Dr Jeffrey Hawkins

Dr Hawkins joined the Board in 2007 as a non-executive Director. He is the 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.

Mr Rodney Chadwick

Mr Chadwick joined the Board in 2007 as a non-executive Director and is a member of the Audit and Risk Committee and the Remuneration Committee. He is the immediate past Chairman of the Monash University Medical Foundation and has held numerous public company directorships. Mr Chadwick currently holds three directorships in the private sector and was the Deputy Chairman of the Port of Hastings Development Authority until 30 June 2015.

Mr Robert Heazlewood

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

Ms Suzanne Ewart

Ms Ewart joined the Board in June 2014 as a non-executive Director and was appointed Chairperson of the Audit and Risk Committee in August 2014. She is the Chairperson of the Box Hill Institute Board and is a Director of the Peter MacCallum Cancer Centre, the Chairperson of its Finance Committee and a member of its Audit and Risk Committee. Ms Ewart is also a Director of the Treasury Corporation of Victoria and Chairperson of its Audit Committee.

Mr Bernard Dwyer

Mr Dwyer joined the Board in 2010 as a non-executive Director. In November 2014 Mr Dwyer was appointed CEO of the Company and is now an Executive Director. Prior to his appointment as CEO, Mr Dwyer was a member of the Audit and Risk Committee and Remuneration Committee. He is a Director of the Tourism Industry Council Tasmania, a member of the Brand Tasmanian Board and a member of the Tasmanian State Government's Access Working Group.

The previously mentioned Directors held office during the entire financial year.

Charles Griplas was an Executive Director until 1 July 2014.

Remuneration of Directors and senior executives

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 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 $1.2 million for the year ended 30 June 2015 (2014: $10.4 million profit).

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.

In November 2014 the Company presented its new strategy to its shareholders. The strategy outlined the key recommendations, which were to:

- Undertake a comprehensive refurbishment of all passenger areas on both Spirit of Tasmania vessels.
- Add more day sailings to provide additional capacity for passengers.
- Lower average passenger fares by 14.8 per cent in real terms over four years.
- Maintain its current freight service.

The 2014/15 financial year continued the positive upward trend in passenger numbers from the previous year, with another increase in passenger numbers and a strong freight performance.

Passenger numbers were up eight per cent to 384,501 (2014: 357,619). An extra 17 sailings in the reporting period allowed an increase of 20 per cent of passengers on day sailings. The increase in passenger numbers was assisted by an average passenger fare decrease in real terms of 8 per cent*, which was realised through the removal of the carbon tax surcharge, increased lower-cost day sailings and promotional fares. The Company also staged marketing and media campaigns that achieved excellent metrics for advertising recall, website traffic, customer satisfaction and repeat visits.

Freight volumes were the highest on record, at 102,309 twenty–foot equivalent units (TEUs) (2014: 98,511). Significant volume improvement in this area is difficult as the vessels operate at capacity for the majority of high demand periods. The preference for freight volumes to travel on night sailings to allow integration with wider logistics chains restricts growth prospects in this area and the strategy of additional day sailings is unlikely to materially increase freight volumes carried on the vessels.

The increase in both passenger and freight volumes contributed to revenue of $206 million, the Company's highest on record, with underlying operational profit of $17.5 million (2014: $11.6 million) and sufficient cash generation to fund the current year refurbishment costs.

Refurbishment of the vessels began in February 2015. This will refresh and improve the passenger experience for years to come, however this is not expected to significantly increase the market value of the vessels. The valuation of 62 million euros for each of the current vessels did not change between 30 June 2014 and 30 June 2015, which reflects an improved ferry resale market. The vessels are depreciating assets and normally an annual reduction in value is expected. As a result of the above, the Directors considered it prudent to write off the current year cost of refurbishment at 30 June 2015 and realise any change in market value of the vessels next year, when the refurbishment is complete and the ships are independently valued.

* In comparable terms relative to the 14.8 per cent referenced in the Company's new strategy.

Subsequent events

In the opinion of the Directors, no items, transactions or events of a material or unusual nature have arisen in the interval between the end of the financial year and the date of this report that could significantly affect the operations of the Company, the results of its operations, or the state of its affairs in future financial years.

Future developments

Disclosure of information regarding likely developments in the Company's operations 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 Tasmanian 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.

Community service obligations

The Company has no community service obligations.

Dividends

No dividends have been paid or declared since the start of the 2014/15 financial year.

Indemnification and insurance of officers and auditors

The Company has paid insurance premiums for the year of $37,800 in respect of Directors' and officers' liability, for current and former Directors of the Company.

The insurance premiums relate to:

- Costs and expenses incurred by relevant officers in defending proceedings, whether civil or criminal and whatever their outcome.
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any Company officers or auditors against liabilities incurred as officers or auditors.

Directors' meetings

The following table sets out the number of Directors' meetings, including meetings of Directors' committees, 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 11 Board meetings, four Audit and Risk Committee meetings, two Remuneration Committee meetings, and one Director Nomination Committee meeting.

Meetings held and attended in the year ended 30 June 2015

	Board		Audit and Risk Committee		Remuneration Committee		Director Nomination Committee	
Director	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Mr M Grainger	11	11	4	4	2	2	1	1
Mr A Tobin	10	11	3	4	–	–	–	1
Dr J Hawkins	10	11	–	–	–	–	1	1
Mr R Chadwick	11	11	4	4	2	2	1	1
Mr B Dwyer[2]	11	11	2	2	1	1	1	1
Mr R Heazlewood	9	11	–	–	–	–	1	1
Ms S Ewart	11	11	4	4	1	1	1	1

1. The number of meetings held during the time the Director was a member of the Board or relevant committee.
2. Mr Dwyer attended four Board meetings, two Audit and Risk, one Nomination and one Remuneration Committee meeting as a non-executive Director; he was appointed CEO in November 2014 and attended seven Board meetings as an Executive Director after this appointment.

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 all international travel undertaken during the financial year by representatives of the Company including Directors and the CEO.

International travel in the year ended 30 June 2015

Position	Number of trips	Cost of travel $'000
Directors	1	11
CEO	2	23
Employees	6	91

Auditor's independence declaration

The auditor's independence declaration is included on page 29 of this financial report.

Rounding off

The Company is of the kind referred to in Australian Securities and Investments Commission (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

S Ewart
Directors
Hobart, 11 August 2015

Tasmanian Audit Office

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

11 August 2015

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 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit

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

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

Yours sincerely

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

...1 of 1

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Tasmanian Audit Office

Independent Auditor's Report

To the Members of TT-Line Company Pty Ltd

Financial Report for the Year Ended 30 June 2015

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 2015 and the statements of profit and loss, other 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 2015 and its financial performance for the year ended on that date

   (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 of the financial report that gives a true and fair view 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 report complies with Australian Accounting Standard/International Financial Reporting Standards.

...1 of 2

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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 my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered 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
- 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,* was provided to the Directors on the same date as this auditor's report and is included in the Directors' report.

Tasmanian Audit Office

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

Hobart
11 August 2015

...2 of 2

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DIRECTORS' DECLARATION

1. In the opinion of the Directors of the Company:
   (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:
      i. giving a true and fair view of the Company's financial position as at 30 June 2015 and its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporates Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015.
3. The Directors draw attention to note 3 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

On behalf of the Directors

____

M Grainger

S. M. Ewart

____

S Ewart

Directors

Hobart, 11 August 2015

TT-LINE COMPANY PTY LTD

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $'000	2014 $'000
Revenue	5	205,468	196,965
Investment revenue	6	2,930	2,323
Other gains	7	27	5
		208,425	**199,293**
Employee benefit expenses	10(a)	(63,847)	(61,037)
Other expenses	10(b)	(126,756)	(126,309)
Finance costs	8	(330)	(305)
Asset revaluation	13	(15,820)	3,204
PROFIT BEFORE TAX		**1,672**	**14,846**
Tax-equivalent (expense)	9	(517)	(4,463)
PROFIT FOR THE YEAR		**1,155**	**10,383**

Notes to the financial statements are included on pages 38 to 71.

TT-LINE COMPANY PTY LTD

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $'000	2014 $'000
PROFIT FOR THE YEAR		**1,155**	**10,383**
Other comprehensive income/(expense) for the year, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Recognised actuarial gains/(losses)	19	1,151	(604)
Tax-equivalent benefit/(expense) on items of comprehensive income	9	(345)	181
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging reserve gains/(losses)	21	(8,926)	577
Tax-equivalent benefit/(expense) on items of comprehensive income	9	2,678	(173)
Total other comprehensive (expense) for the year, net of tax		**(5,442)**	**(19)**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**(4,287)**	**10,364**

Notes to the financial statements are included on pages 38 to 71.

TT-LINE COMPANY PTY LTD

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	2015 $'000	2014 $'000
CURRENT ASSETS			
Cash and cash equivalents	25	90,200	81,328
Trade and other receivables	11	15,987	17,271
Inventories	12	2,736	3,277
Other	15	3,614	3,190
TOTAL CURRENT ASSETS		**112,537**	**105,066**
NON-CURRENT ASSETS			
Property, plant and equipment	13	191,010	191,908
Intangibles	14	2,388	2,610
Deferred tax asset (net of deferred tax liability)	9	23,705	21,889
Other	15	1,072	2,528
TOTAL NON-CURRENT ASSETS		**218,175**	**218,935**
TOTAL ASSETS		**330,712**	**324,001**
CURRENT LIABILITIES			
Trade and other payables	16	11,546	10,282
Provisions	17	12,686	11,905
Other	18	20,098	12,581
TOTAL CURRENT LIABILITIES		**44,330**	**34,768**
NON-CURRENT LIABILITIES			
Provisions	17	7,924	8,362
Other	18	1,881	7
TOTAL NON-CURRENT LIABILITIES		**9,805**	**8,369**
TOTAL LIABILITIES		**54,135**	**43,137**
NET ASSETS		**276,577**	**280,864**
EQUITY			
Share capital	20	328,981	328,981
Cash flow hedging reserve	21	(3,576)	2,672
Accumulated losses		(60,749)	(60,749)
Profits reserve	21	11,921	9,960
TOTAL EQUITY		**276,577**	**280,864**

Notes to the financial statements are included on pages 38 to 71.

TT-LINE COMPANY PTY LTD

STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2015

	Note	Share capital $'000	Cash flow hedging reserve $'000	Accumulated losses $'000	Profits reserve $'000	Total $'000
Balance at 1 July 2013		**328,981**	**2,268**	**(60,749)**	**–**	**270,500**
Profit for the year		–	–	10,383	–	10,383
Transfers		–	–	(9,960)	9,960	–
Other comprehensive income/(expense) for the year	21	–	404	(423)	–	(19)
Total comprehensive income for the year		–	404	–	9,960	10,364
Balance at 30 June 2014		**328,981**	**2,672**	**(60,749)**	**9,960**	**280,864**
Profit for the year		–	–	1,155	–	1,155
Transfers		–	–	(1,961)	1,961	–
Other comprehensive income/(expense) for the year	21	–	(6,248)	806	–	(5,442)
Total comprehensive income/(expense) for the year		–	(6,248)	–	1,961	(4,287)
Balance at 30 June 2015		**328,981**	**(3,576)**	**(60,749)**	**11,921**	**276,577**

Notes to the financial statements are included on pages 38 to 71.

TT-LINE COMPANY PTY LTD

STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2015

	Note	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		245,737	234,103
Interest received		2,473	2,128
Cash payments in the course of operations		(208,278)	(204,687)
Net cash provided by operating activities	**25**	**39,932**	**31,544**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		125	176
Payments for property, plant and equipment		(31,185)	(9,413)
Net cash (used) by investing activities		**(31,060)**	**(9,237)**
Net increase in cash held		8,872	22,307
Cash and cash equivalents at the beginning of the financial year		81,328	59,021
Cash and cash equivalents at the end of the financial year	**25**	**90,200**	**81,328**

Notes to the financial statements are included on pages 38 to 71.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 is a for profit entity and its principal activities are providing passenger, vehicle and freight shipping services between Devonport and Melbourne for a commercial return.

NOTE 2 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Company has applied a number of amendments to Australian Accounting Standards Board (AASB) standards and a new interpretation issued by the AASB that are mandatory and effective for an accounting period that began on or after 1 July 2014, and therefore relevant for the current year end.

AASB 2014-1 *'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)*

The Annual Improvements 2010–2012 has made a number of amendments to various AASB standards as summarised below:

- The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.
- The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The Annual Improvements 2011–2013 has made a number of amendments to various AASB standards, and the applicable change is summarised below:

- The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.

The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Company's financial statements.

AASB 2014-1 *'Amendments to Australian Accounting Standards' (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119)*

The amendments to AASB 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The application of these amendments to AASB 119 does not have any material impact on the disclosures or on the amount recognised in the Company's financial statements.

AASB 1031 '*Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'* (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)

The revised AASB 1031 is an interim standard that cross-references guidance on materiality contained in other standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013). The AASB is progressively removing references to AASB 1031 in all standards and interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn.

The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Company's financial statements.

Standards and interpretations in issue but not yet adopted

On the date the financial statements were authorised the following standards and interpretations were in issue but not yet effective.

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 2018	30 June 2019
• AASB 15 '*Revenue from Contracts with Customers'* and AASB 2014-5 '*Amendments to Australian Accounting Standards Arising from AASB 15'*	1 January 2017	30 June 2018
• AASB 2014-4 '*Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'*	1 January 2016	30 June 2017
• AASB 2015-1 '*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle'*	1 January 2016	30 June 2017
• AASB 2015-2 '*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'*	1 January 2016	30 June 2017
• AASB 2015-3 '*Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'*	1 July 2015	30 June 2016

When adopted, the above standards and interpretations are not expected to have a significant impact on the Company's financial statements.

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The reported results and position of the Company will not change on adoption of these pronouncements as they do not result in any changes to the Company's existing accounting policies. Adoption may, however, result in changes to information currently disclosed in the financial statements. The Company does not intend to adopt any of these pronouncements before their effective dates.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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 11 August 2015.

Basis of preparation

The financial statements have been prepared on a historical cost basis, 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.

Where appropriate, comparative figures have been amended to accord with current presentation, and material changes to comparatives have been disclosed.

Fair value is the amount that would be received in selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 *Inventories* or value in use in AASB 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised as Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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 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:

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.

<u>Passengers and freight</u>

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.

<u>On-board trading</u>

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.

<u>Investment revenue</u>

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 over time, referring 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

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 Company assets 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 in 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 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 prevailing exchange rate on the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the prevailing rates on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items in a foreign currency measured in terms of historical cost are not retranslated.

d) Employee benefits

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

Liabilities recognised in respect of short-term employee benefits are measured at their current 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.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not to be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as:

- service costs (including current service costs and past service costs, as well as the effect of settlements and/or curtailments, if any, during the year)
- net interest (notional interest on the scheme's liabilities)
- remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss in the line items 'employee benefit expenses' and 'finance costs'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

e) Taxation

Under instructions from the Treasurer of the Government of Tasmania, the Company is subject to the National Tax Equivalent Regime (NTER), which is broadly based on the provisions of the Commonwealth Income Tax Assessment acts.

Income tax expenses include the sum of the tax currently payable and deferred tax.

Current tax

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, as well as 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.

Deferred tax

Deferred tax is based 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 used. 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 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.

Current and deferred tax for the period

Current and deferred taxes 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, and intangibles

Vessels are stated at fair value in the statement of financial position. Fair value is determined annually via an 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). No allowance has been made for transport costs as they cannot be reliably determined.

Buildings held for the production or supply of goods and services, or for administrative purposes, are stated at their revalued amounts in the statement of financial position, being the fair value at 30 June 2015, less any subsequent accumulated depreciation, plus or minus additions or disposals and subsequent accumulated impairment losses. The associated land held for the same purpose is stated at cost in the statement of financial position.

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 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.

Plant and equipment are stated at cost, less accumulated depreciation and 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 change is recognised on a prospective basis.

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

An item of property, plant or 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 from the disposal or retirement of an item of property, plant or 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) Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The calculation for amortisation of software is based on a useful life of three to 10 years.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

h) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial 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 or 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 3f).

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 it is done in such a way 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 3f). However, to the extent that an impairment loss on the relevant asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

i) Inventories

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

j) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and 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 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.

k) 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 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 classified as purchases or sales of financial assets that require delivery within the timeframe established by marketplace regulations or conventions.

Effective interest method

The effective interest method is a way 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.

Certain categories of financial assets, such as trade receivables, are assessed for impairment collectively even if they were individually assessed as unimpaired. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments or an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 financial asset's 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 uncollectable, 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.

<u>Financial liability and equity instruments</u>

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.

l) Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to commodity and foreign currency rate risks. 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 non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, 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 exchange 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 effective in offsetting changes in the fair values or cash flows of the hedged item.

Notes 9, 15, 18 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' or 'other losses' line items.

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 recognised 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 because the hedging instrument has expired, 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 acknowledged 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.

m) Goods and services tax

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

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

The following are key future assumptions and other key sources of estimation uncertainty during 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:

Useful lives of vessels

As described in note 3f, the Company reviews the vessels' estimated useful lives at the end of each reporting period. During the current period, the Directors determined that the vessels' useful lives remained the same as in the previous year, being 30 years.

Fair value measurements and valuation processes

The Company's vessels and buildings are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages qualified third-party valuers to perform the valuation. The Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the valuation model.

Note 13 reports the carrying amount of the Company's vessels, and note 3f 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
- a residual value of $19.1 million per vessel based on 10 per cent of the initial build price.

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

Note 13 also reports the carrying amount of the Company's buildings, and note 3f 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 applies 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 a detailed sensitivity analysis for these assumptions.

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

Change in discount rate

During the reporting period, the Company changed the discount rate used for employee entitlements from the Australian Government bond rate to the high-quality corporate bond rate and applied this change as a change in accounting estimate. The change is the result of new developments in the Australian economy that caused the Australian high-quality corporate bond market to be considered deep.

The Company decreased the carrying amount of employee long-term benefits by $0.1 million in the current year upon application of this change in estimate.

Valuation of the Company's defined benefit obligation

As described in note 19, the Company uses valuation techniques to determine the defined benefit obligation. The key assumptions used for this valuation are outlined in note 19.

The impact of changing the discount rate from the Australian Government bond rate to the high-quality corporate bond rate is to reduce the net liability by $1.5 million.

NOTE 5 REVENUE

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

	2015 $'000	2014 $'000
Revenue from the provision of services	193,529	185,721
Revenue from the sale of goods	11,939	11,244
	205,468	**196,965**

NOTE 6 INVESTMENT REVENUE

	2015 $'000	2014 $'000
Interest income – bank deposits	2,930	2,323

NOTE 7 OTHER GAINS

	2015 $'000	2014 $'000
Gain on disposal of property, plant and equipment	27	5

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	2015 $'000	2014 $'000
Interest cost on defined benefit superannuation plan	19	330	305

NOTE 9 INCOME TAXES RELATING TO CONTINUING OPERATIONS

Tax-equivalent expense recognised in net profit or loss:

Deferred tax-equivalent expense	2015 $'000	2014 $'000
Origination and reversal of temporary differences:		
Increase/(decrease) in deferred tax liability	(3,153)	2,929
Decrease in deferred tax asset	3,674	1,540
	521	**4,469**
Adjustment for prior years	(4)	(6)
Total tax-equivalent expense	**517**	**4,463**

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

	2015 $'000	2014 $'000
Profit before tax-equivalent expense	1,672	14,846
Prima facie tax-equivalent expense at 30% (2014: 30%)	502	4,454
Non-deductible entertainment	19	15
(Under-provided) in prior periods	(4)	(6)
Tax-equivalent expense recognised in the current period	**517**	**4,463**

The tax rate used for the 2015 reconciliation is the corporate tax rate of 30 per cent (2014: 30 per cent) payable by Australian corporate entities on taxable profits under Australian tax law.

Tax-equivalent impact recognised in other comprehensive income

Deferred tax	2015 $'000	2014 $'000
Tax-equivalent impact of actuarial gains/(losses)	345	(181)
Tax-equivalent impact of revaluation in cash flow hedging reserve	(2,678)	173
Net tax-equivalent (benefit) attributable to transactions recognised in equity	**(2,333)**	**(8)**

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

2015	Balance at 1 July 2014 $'000	Recognised in profit or loss (prior periods) $'000	Recognised in profit or loss (movement) $'000	Recognised in other comprehensive income $'000	Balance at 30 June 2015 $'000
Deferred tax assets					
Employee provisions	5,693	–	485	(345)	5,833
Other provisions	–	–	2	–	2
Derivative – fuel hedge	(1,145)	–	–	2,678	1,533
Other accruals	197	16	(40)	–	173
Tax losses	21,629	1,206	(4,121)	–	18,714
	26,374	**1,222**	**(3,674)**	**2,333**	**26,255**
Deferred tax liabilities					
Consumables	(646)	–	(192)	–	(838)
Property, plant and equipment	(3,893)	(810)	3,655	–	(1,048)
Provisions	54	(408)	(310)	–	(664)
	(4,485)	**(1,218)**	**3,153**	**–**	**(2,550)**
Net	**21,889**	**4**	**(521)**	**2,333**	**23,705**

2014	Balance at 1 July 2013 $'000	Recognised in profit or loss (prior periods) $'000	Recognised in profit or loss (movement) $'000	Recognised in other comprehensive income $'000	Balance at 30 June 2014 $'000
Deferred tax assets					
Employee provisions	5,133	–	379	181	5,693
Other accruals	109	–	88	–	197
Provisions	21	–	33	–	54
Tax losses	23,635	34	(2,040)	–	21,629
	28,898	**34**	**(1,540)**	**181**	**27,573**
Deferred tax liabilities					
Accrued income	(15)	–	15	–	–
Consumables	(867)	–	221	–	(646)
Derivative – fuel hedge	(972)	–	–	(173)	(1,145)
Property, plant and equipment	(700)	–	(3,193)	–	(3,893)
Other	–	(28)	28	–	–
	(2,554)	**(28)**	**(2,929)**	**(173)**	**(5,684)**
Net	**26,344**	**6**	**(4,469)**	**8**	**21,889**

Unrecognised deferred tax assets and liabilities

Tax benefits not recognised	**2015 $'000**	**2014 $'000**
Deferred tax assets – capital losses	116	116

NOTE 10 PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations was calculated after charging the following:

(a) Employee benefit expenses	2015 $'000	2014 $'000
Defined contribution plans	4,474	4,169
Defined benefit plans	181	160
Termination benefits (including entitlements)	259	141
Other employee benefits	58,933	56,567
	63,847	**61,037**

(b) Other expenses	2015 $'000	2014 $'000
Depreciation of:		
Buildings, plant and equipment	988	999
Vessels	14,107	13,212
Amortisation of:		
Leasehold improvements	436	436
Intangibles	857	632
	16,388	**15,279**
Terminal operations	28,904	28,622
Administration	11,158	11,580
Security	3,868	3,837
Food and beverages	2,848	2,748
Consumables	4,236	3,967
Repairs and maintenance	8,151	8,746
Bunker fuel and oil	37,064	39,103
Customer acquisition	14,139	12,427
	110,368	**111,030**
Total other expenses	**126,756**	**126,309**

NOTE 11 TRADE AND OTHER RECEIVABLES

	2015 $'000	2014 $'000
Trade receivables	13,709	15,572
Allowance for impairment	(5)	(6)
	13,704	**15,566**
Other debtors	2,283	1,705
Total trade and other receivables	**15,987**	**17,271**

The average credit period taken on sales of goods and services was 25 days (2014: 29 days). No interest is charged on trade receivables. The Company has recognised an allowance for impairment of 100 per cent against all receivables past due by more than 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 referring 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	2015 $'000	2014 $'000
60–90 days	206	175
90–120 days	28	45
Total	**234**	**220**

Movement in the allowance for impairment	2015 $'000	2014 $'000
Balance at the beginning of the period	6	69
Impairment losses recognised on receivables	2	320
Amounts written off as uncollectable	(3)	(333)
Amounts recovered during period	–	(50)
Balance at end of period	**5**	**6**

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 end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe no further credit provision is required in excess of the allowance for impairment.

NOTE 12 INVENTORIES

	2015 $'000	2014 $'000
Bunker fuel (cost)	1,414	1,718
Maintenance stock (cost)	1,042	1,231
Food and beverage stock (cost)	280	328
	2,736	**3,277**

The cost of inventories recognised as an expense during the period in respect of continuing operations was $56.4 million (2014: $52.4 million).

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Carrying amount	2015 $'000	2014 $'000
Cost and/or valuation	207,958	207,807
Accumulated depreciation and impairment	(16,948)	(15,899)
	191,010	**191,908**
Leasehold improvements (cost)	6,018	6,215
Plant and equipment (cost)	3,150	3,138
Vessels (fair value)	179,442	180,023
Buildings (fair value)	1,900	2,032
Freehold land (cost)	500	500
	191,010	**191,908**

Cost or valuation	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Vessels at fair value $'000	Buildings at fair value $'000	Freehold land at cost $'000	Total $'000
Balance at 1 July 2013	14,432	10,315	182,226	2,100	500	209,573
Acquisitions	330	546	580	6	–	1,462
Major cyclical maintenance	–	–	7,225	–	–	7,225
Disposals	–	(445)	–	–	–	(445)
Gross revaluation (decrement)	–	–	(10,008)	–	–	(10,008)
Balance at 30 June 2014	**14,762**	**10,416**	**180,023**	**2,106**	**500**	**207,807**
Acquisitions	239	1,023	21,278	54	–	22,594
Major cyclical maintenance	–	–	7,957	–	–	7,957
Disposals	–	(324)	–	–	–	(324)
Gross revaluation (decrement)	–	–	(29,816)	(260)	–	(30,076)
Balance at 30 June 2015	**15,001**	**11,115**	**179,442**	**1,900**	**500**	**207,958**

Accumulated depreciation/ amortisation and impairment	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Vessels at fair value $'000	Buildings at fair value $'000	Freehold land at cost $'000	Total $'000
Balance at 1 July 2013	8,111	6,627	–	–	–	14,738
Disposals	–	(274)	–	–	–	(274)
Depreciation expense	436	925	13,212	74	–	14,647
Adjustments from revaluation decrement	–	–	(13,212)	–	–	(13,212)
Balance at 30 June 2014	**8,547**	**7,278**	**–**	**74**	**–**	**15,899**
Disposals	–	(226)	–	–	–	(226)
Depreciation expense	436	913	14,107	75	–	15,531
Adjustments from revaluation decrement	–	–	(14,107)	(149)	–	(14,256)
Balance at 30 June 2015	**8,983**	**7,965**	**–**	**–**	**–**	**16,948**

Asset revaluation recognised in profit or loss	2015 $'000	2014 $'000
Vessels		
Increase/(decrease) in fair value	(581)	(2,203)
Improvements and periodic maintenance	(29,235)	(7,805)
Gross revaluation (decrement)	**(29,816)**	**(10,008)**
Depreciation	14,107	13,212
Vessel revaluation recognised in profit or loss	**(15,709)**	**3,204**
Buildings		
(Decrease) in fair value	(206)	–
Improvements	(54)	–
Gross revaluation (decrement)	**(260)**	**–**
Depreciation	149	–
Building revaluation recognised in profit or loss	**(111)**	**–**
Total asset revaluation recognised in profit or loss	**(15,820)**	**3,204**

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 predominately in Europe, the valuation is provided in euros.

The valuation of each vessel, in Australian dollars, decreased from $90.0 million to $89.7 million between 2014 and 2015; the value in euros has remained the same at 62.0 million euros. The $0.3 million decrease in the fair value of each vessel was the result of an unfavourable movement in the Australian dollar and euro exchange rate. In addition to the $0.7 million decrease in value for both vessels during the year, they were depreciated by $14.1 million during the year. The vessels also underwent $29.2 million of improvements and periodic maintenance. The result of these movements was a $15.7 million vessel revaluation decrement, recognised in the statement of profit or loss.

If the vessels had been carried at cost, the depreciated carrying value of both vessels would be $163.2 million.

Estimates of the vessels' economic life and residual value are key judgements in the financial statements. The residual value of the vessels has not changed since the last reporting date and is 10 per cent of the build price. A 10 per cent increase or decrease in the residual value of the vessels would result in a $0.3 million decrease or increase in depreciation in the statement of profit or loss and a $0.3 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 vessels' remaining estimated economic life would have a $0.7 million decrease or $0.8 million increase in depreciation in the statement of profit or loss, and a corresponding $0.7 million increase or $0.8 million decrease in the carrying value of property, plant and equipment in the statement of financial position.

During the reporting period, the Company began refurbishment of its two vessels. The costs incurred up to 30 June 2015 totalled $20.1 million and are included as vessel acquisitions. Refer to note 27 for details of capital expenditure commitments.

Freehold land carried at cost and buildings carried at fair value

Australian Property Institute member Matthew J Page of the independent valuer Knight Frank conducted a valuation of the Edgewater Hotel land and buildings to determine their value at 30 June 2015. The freehold land has remained at cost and the buildings have been measured at fair value. The valuation was determined by reference to market transactions on arm's-length terms.

Fair value measurement

The table below shows the assigned fair value of assets held by the Company. The table presents the Company's assets measured and recognised at fair value at 30 June 2015.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value at 30 June 2015 $'000
Vessels	–	179,442	–	179,442
Buildings	–	1,900	–	1,900
	–	**181,342**	**–**	**181,342**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value at 30 June 2014 $'000
Vessels	–	180,023	–	180,023
Buildings	–	2,032	–	2,032
	–	**182,055**	**–**	**182,055**

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

NOTE 14 INTANGIBLE ASSETS

Carrying amount	2015 $'000	2014 $'000
Software at cost	5,196	4,561
Accumulated amortisation	(2,808)	(1,951)
	2,388	**2,610**
Cost		
Balance at 1 July	4,561	3,834
Acquisitions	635	727
Balance at 30 June	**5,196**	**4,561**
Accumulated amortisation		
Balance at 1 July	1,951	1,319
Amortisation	857	632
Balance at 30 June	**2,808**	**1,951**

NOTE 15 OTHER ASSETS

	2015 $'000	2014 $'000
Derivative – fuel hedge	1,215	3,845
Derivative – foreign currency forward exchange contract	233	–
Prepaid expenses and other	3,238	1,873
	4,686	**5,718**
Current	3,614	3,190
Non-current	1,072	2,528
	4,686	**5,718**

NOTE 16 TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Trade payables	11,546	10,282

The average credit period received on purchases of goods and services was 20 days (2014: 20 days). The Company has financial risk management policies in place to ensure payables are paid within prearranged credit terms.

NOTE 17 PROVISIONS

	2015 $'000	2014 $'000
Workers compensation[i]	1,167	1,307
Liability for long service leave	6,266	5,682
Liability for annual leave	6,423	5,580
Liability for long-term employee benefits	470	480
Defined benefit obligation (see note 19)	6,284	7,045
Other	–	173
	20,610	**20,267**
Current	12,686	11,905
Non-current	7,924	8,362
	20,610	**20,267**

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 at the end of the reporting period.

NOTE 18 OTHER LIABILITIES

	2015 $'000	2014 $'000
Derivatives – fuel hedge	6,558	28
Revenue received in advance	15,421	12,560
	21,979	**12,588**
Current	20,098	12,581
Non-current	1,881	7
	21,979	**12,588**

NOTE 19 DEFINED BENEFIT OBLIGATION

The Company has employees who belong to the 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-only benefits.

Regulatory framework

The RBF operates under the *Retirement Benefits Act 1993* and the *Retirement Benefits Regulations 2005*.

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

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

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

Governance responsibilities

The RBF Board is responsible for the governance of the scheme. As trustee, the RBF Board has a legal obligation to act solely in the best interests of the scheme's beneficiaries. The RBF Board has the following roles:

- It administers the scheme and payment to the beneficiaries when required in accordance with the scheme rules.
- It manages and invests the scheme's assets.
- It complies with the Heads of Government Agreement referred to above.

Risks

The scheme exposes the Company to a number of risks. The more significant risks relating to the defined benefits are:

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

Significant events

There were no plan amendments, curtailments or settlements during the year.

Reconciliation of the net defined-benefit liability	2015 $'000	2014 $'000
Defined benefit obligation	7,627	8,286
Fair value of plan (assets)	(1,343)	(1,241)
Net defined benefit liability	**6,284**	**7,045**
Current liability	94	409
Non-current liability	6,190	6,636
	6,284	**7,045**

Reconciliation of the fair value of scheme assets	2015 $'000	2014 $'000
Fair value of fund assets at the beginning of the period	1,241	1,145
Interest income	50	48
Actual return on plan assets less interest income	32	65
Employer contributions	72	70
Contributions by plan participants	39	33
Benefits paid	(81)	(110)
Taxes, premiums and expenses paid	(10)	(10)
Fair value of fund assets at the end of the period	**1,343**	**1,241**

Reconciliation of the defined benefit obligation	2015 $'000	2014 $'000
Present value of defined benefit obligation at the beginning of the period	8,286	7,240
Current service cost	182	159
Interest cost	330	305
Contributions by plan participants	39	33
Actuarial (gains)/losses arising from changes in demographic assumptions	–	329
Actuarial (gains)/losses arising from changes in financial assumptions	(972)	265
Actuarial (gains)/losses arising from liability experience	(147)	75
Benefits paid	(81)	(110)
Estimated taxes, premiums and expenses paid	(10)	(10)
Present value of defined benefit obligation at the end of the period	**7,627**	**8,286**

Costs recognised in profit or loss and other comprehensive income	2015 $'000	2014 $'000
Current service cost	182	159
Interest cost	330	305
Components of defined benefit cost recognised in profit or loss	**512**	**464**
Remeasurement of the net defined benefit liability:		
Actuarial (gains)/losses arising from changes in demographic assumptions	–	329
Actuarial (gains)/losses arising from changes in financial assumptions	(972)	265
Actuarial (gains)/losses arising from liability experience	(147)	75
Actual return on plan assets less interest income	(32)	(65)
Components of defined benefit cost recognised in other comprehensive income	**(1,151)**	**604**

Reconciliation of the effect of the asset ceiling

The asset ceiling has no impact on the net defined benefit liability.

Fair value of scheme assets

2015^	Level 1 (quoted prices in active markets for identical assets) $'000	Level 2 (significant observable inputs) $'000	Level 3 (unobservable inputs) $'000	Total $'000
Asset Category				
Cash and cash equivalents	233	–	–	233
Equity instruments	417	403	97	917
Debt instruments	49	74	57	180
Derivatives	–	2	–	2
Real estate	–	11	–	11
Total	**699**	**490**	**154**	**1,343**

^Estimated based on assets allocated to the Company at 30 June 2015 and asset allocation of the RBF scheme at 30 June 2014.

2014^	Level 1 (quoted prices in active markets for identical assets) $'000	Level 2 (significant observable inputs) $'000	Level 3 (unobservable inputs) $'000	Total $'000
Asset Category				
Cash and cash equivalents	173	–	–	173
Equity instruments	443	398	35	876
Debt instruments	50	72	51	173
Derivatives	–	(6)	–	(6)
Real estate	–	25	–	25
Total	**666**	**489**	**86**	**1,241**

^Estimated based on assets allocated to the Company at 30 June 2014 and asset allocation of the RBF scheme at 30 June 2013.

Fair value of fund assets

The fair value of fund assets does not include amounts relating to:

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

Assets are not held separately for each reporting entity but are held for the fund as a whole. The fair value of scheme assets for each reporting entity was estimated by allocating the total fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in the report prepared by the state's actuary (Mercer), dated 10 July 2015, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity the state's actuary has used a discount rate of 3.7 per cent in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

Significant actuarial assumptions at the reporting date

Assumptions to determine defined benefit cost and start-of-year defined benefit obligation	2015 %	2014 %
Discount rate (active members)	4.10	4.25
Discount rate (pensioners)	4.10	4.25
Expected compulsory preserved amount increase rate	4.50	3.75
Expected salary increase rate	3.00	3.00
Expected pension increase rate	2.50	2.50

Assumptions to determine end-of-year defined benefit obligation	2015 %	2014 %
Discount rate (active members)	4.80	4.10
Discount rate (pensioners)	4.80	4.10
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	4.50	4.50
Expected pension increase rate	2.50	2.50

Sensitivity analysis

The defined-benefit obligation under several scenarios at 30 June 2015 is presented below. Scenarios A and B relate to discount rate sensitivity, while scenarios C and D relate to expected pension increase rate sensitivity:

- Scenario A: 0.5% pa lower discount rate assumption
- Scenario B: 0.5% pa higher discount rate assumption
- Scenario C: 0.5% pa lower expected pension increase rate assumption
- Scenario D: 0.5% pa higher expected pension increase rate assumption.

	Base case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa pension increase rate	Scenario D +0.5% pa pension increase rate
Discount rate	4.80% pa	4.30% pa	5.30% pa	4.80% pa	4.80% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	2.00% pa	3.00% pa
Defined-benefit obligation ($'000)	7,627	8,303	7,032	7,239	8,056

The defined-benefit obligation has been recalculated by changing the assumptions as outlined above, while retaining all other assumptions.

Asset and liability matching strategies

The Company is not aware of any asset and liability matching strategies adopted by the RBF.

Funding arrangements

The employer contributes a percentage of each lump sum or pension benefit payment. This percentage may be amended by the Minister on the advice of the actuary.

	2016 $'000
Expected employer contributions in 2016	94

Maturity profile of the defined benefit obligation

The weighted average duration of the defined-benefit obligation for the Company is 17.4 years.

NOTE 20 SHARE CAPITAL AND FULLY PAID ORDINARY SHARES

	2015 $'000	2014 $'000
Ordinary shares, fully paid 328,981,230 (2014: 328,981,230)	328,981	328,981

Changes to the previous Corporations Act abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company has an unlimited 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 21 RESERVES (NET OF INCOME TAX)

Cash flow hedging reserve	2015 $'000	2014 $'000
Balance at the beginning of the period	2,672	2,268
Effective portion of changes in fair value of cash flow hedge	(14,826)	2,511
Transfer of hedge reserve to statement of comprehensive income	5,900	(1,934)
Net impact on equity before tax	**(8,926)**	**577**
Deferred tax liability arising on market valuation	2,678	(173)
Net impact on equity after tax	**(6,248)**	**404**
Balance at the end of the period	**(3,576)**	**2,672**

The Company holds derivative financial instruments designated as cash flow hedges of future fuel purchases and currency forward exchange contracts. 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 from changes in the fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising from changes in the fair value of the hedging instruments, and recognised and accumulated under the heading of cash flow hedging reserve, will only be reclassified to profit or loss 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.

The Company holds the following other reserves:

- Profits reserve: Relates to profits set aside by the Company.

Profit reserve	2015 $'000	2014 $'000
Balance at the beginning of the period	9,960	–
Transfers during the period	1,961	9,960
Balance at the end of the period	**11,921**	**9,960**

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 2014.

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

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

(b) Categories of financial instruments

Financial assets	2015 $'000	2014 $'000
Trade and other receivables	15,987	17,271
Cash and cash equivalents	90,200	81,328
Derivative instruments in a designated hedge accounting relationship	1,448	3,845

Financial liabilities	2015 $'000	2014 $'000
Trade and other payables	11,546	10,282
Derivative instruments in a designated hedge accounting relationship	6,558	28

(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 Company's operations 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 Board-approved policy, which provides written principles on investment risk, liquidity risk, foreign exchange risk, interest rate risk, bunker fuel price risk, credit risk, the use of financial derivatives and non-financial derivative instruments, and the investment of excess liquidity. Internal auditors review compliance with the policy and exposure limits on a planned basis. The Company does not enter into or trade financial instruments for speculative purposes, including derivative financial instruments.

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)
- movements in the US and Australian dollar 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 during the reporting period.

The table below summarises the impact on net profit and equity due to reasonably possible changes in US and Australian dollar exchange rates for the period ended 30 June 2015 on net profit and equity. 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 per cent increase or decrease in the US and Australian dollar exchange rate, holding all other variables constant (such as designations and hedge effectiveness testing results).

	Net profit		Equity	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
10% increase in the US$/A$ exchange rate	(1,842)	(2,404)	(3,361)	(3,668)
10% decrease in the US$/A$ exchange rate	2,238	2,938	4,108	4,483

The table below summarises the potential impact on net profit and equity of reasonably possible changes in the US dollar price of bunker fuel for the period ended 30 June 2015. 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 per cent increase or decrease in the price of bunker fuel, holding all other variables constant (such as exchange rates, designations and hedge effectiveness testing results).

	Net profit		Equity	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
10% increase in the price per metric tonne of fuel	2,014	2,644	3,697	4,035
10% decrease in the price per metric tonne of fuel	(2,014)	(2,644)	(3,697)	(4,035)

(e) Foreign currency risk management

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

During the reporting period, the Company entered into a contract for the refurbishment of its vessels, which was denominated in British pounds (GBP). In accordance with the Company's treasury policy, a forward exchange contract was entered into to manage the 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 assets, the analysis is prepared assuming the amount of asset applicable at the end of the reporting period was applicable for the whole year. An increase or decrease of 50 basis points is used when reporting interest rate risk internally to key management personnel, representing 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 $0.4 million (2014: increase or decrease by $0.4 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate cash deposits.

(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 risk pertaining specifically to 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 counterparties' 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 would be discontinued.

Trade receivables involve a large number of customers. Ongoing credit evaluation is performed on the financial condition of trade receivables. 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 reduced further by holding bunker fuel hedges with more than one counterparty.

(h) Liquidity risk management

The 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 continually monitoring forecast and actual cash flows and matching the maturing profiles of financial assets and liabilities.

The following table details the additional undrawn facilities the Company has at its disposal to further reduce liquidity risk.

Financing facilities	**2015 $'000**	**2014 $'000**
Unsecured bank overdraft facility		
Amount unused	15,000	15,000

Liquidity and interest risk tables

Non-derivative

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities and assets, 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.

Fixed interest rate maturity 2015	Floating interest rate $'000	Under 1 year $'000	1-5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Non-derivative financial assets						
Cash and cash equivalents	55,085	35,000	–	–	115	90,200
Trade and other receivables	–	–	–	–	15,987	15,987
Total	**55,085**	**35,000**	**–**	**–**	**16,102**	**106,187**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	11,546	11,546
Total	**–**	**–**	**–**	**–**	**11,546**	**11,546**

Fixed interest rate maturity 2014	Floating interest rate $'000	Under 1 year $'000	1-5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Non-derivative financial assets						
Cash and cash equivalents	21,200	60,000	–	–	128	81,328
Trade and other receivables	–	–	–	–	17,271	17,271
Total	**21,200**	**60,000**	**–**	**–**	**17,399**	**98,599**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	10,282	10,282
Total	**–**	**–**	**–**	**–**	**10,282**	**10,282**

Derivative

The liquidity of the fuel hedging and forward foreign exchange instruments is assessed at each effectiveness measurement date. Changes in the fair value of the fuel 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 statement of profit or loss. In this respect, the hypothetical derivative will be a highly liquid instrument.

Counterparty risk was considered when measuring the effectiveness of the hedging instruments at 30 June 2015. The Company's policies with regard to credit and liquidity risk management have ensured that the effect of counterparty risk is immaterial.

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

2015	Expected cash flows $'000	Under 1 year $'000	1-5 years $'000	More than 5 years $'000
Bunker fuel swap				
Assets	1,215	165	1,050	–
Liabilities	(6,558)	(4,677)	(1,881)	–
Forward exchange contract				
Assets	233	210	23	–
Liabilities	–	–	–	–

2014	Expected cash flows $'000	Under 1 year $'000	1-5 years $'000	More than 5 years $'000
Bunker fuel swap				
Assets	3,845	1,317	2,528	–
Liabilities	(28)	(21)	(7)	–

(i) Fair value of financial instruments

The fair value and net fair value 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-derivatives

	2015		2014	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Cash and cash equivalents	90,200	90,200	81,328	81,328
Trade and other receivables	15,987	15,987	17,271	17,271
Financial liabilities				
Trade and other payables	11,546	11,546	10,282	10,282

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.

The fair value of forward foreign exchange contracts is based on the mark-to-market valuation of the forward foreign exchange contracts. Future cash flow estimates are based on the difference between forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates.

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 the 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.

2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at FVTPL				
Derivative financial assets	–	1,448	–	1,448
Total	**–**	**1,448**	**–**	**1,448**
Financial liabilities at FVTPL				
Derivative financial liabilities	–	(6,558)	–	(6,558)
Total	**–**	**(6,558)**	**–**	**(6,558)**

2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at FVTPL				
Derivative financial assets	–	3,845	–	3,845
Total	**–**	**3,845**	**–**	**3,845**
Financial liabilities at FVTPL				
Derivative financial liabilities	–	(28)	–	(28)
Total	**–**	**(28)**	**–**	**(28)**

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

NOTE 23 DIRECTOR AND KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2015 $'000	2014 $'000
Short-term employee benefits	2,779	2,832
Post-employment benefits	197	192
Other long-term benefits	(2)	(18)
Termination benefits	–	–
	2,974	**3,006**

Directors' remuneration

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

2015	Directors' fees $'000	Committee fees $'000	Super-annuation[1] $'000	Total $'000
Non-Executive Directors				
Mr M Grainger – Chairman	77	5	8	90
Mr A Tobin	38	6	4	48
Dr J Hawkins	38	–	4	42
Mr R Chadwick	38	5	4	47
Mr B Dwyer (to 2/11/14)[2]	13	2	1	16
Mr R Heazlewood	38	–	4	42
Ms S Ewart	38	5	4	47
Executive Director[3]				
Mr C Griplas – CEO (to 1/7/14)	–	–	–	–
Mr B Dwyer – CEO (from 3/11/14)[3]	–	–	–	–
Total	**280**	**23**	**29**	**332**

2014	Directors' fees $'000	Committee fees $'000	Super-annuation[1] $'000	Total $'000
Non-Executive Directors				
Mr M Grainger – Chairman	77	5	8	90
Mr A Tobin	38	–	4	42
Dr J Hawkins	38	–	4	42
Mr R Chadwick	38	5	4	47
Mr B Dwyer	38	5	4	47
Mr R Heazlewood	38	–	4	42
Ms J Wilson (to 28/2/14)	26	4	3	33
Ms S Ewart (from 18/6/14)	1	–	–	1
Executive Director[3]				
Mr C Griplas – CEO	–	–	–	–
Total	**294**	**19**	**31**	**344**

1. Superannuation means the contribution to the superannuation fund of the individual.
2. Mr B Dwyer was appointed CEO and made an Executive Director on 3 November 2014.
3. The CEO does not receive additional remuneration as an Executive Director.

Executive remuneration

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

2015 Executive remuneration	Salary[1] $'000	Incentive payments[2] $'000	Termination benefits[3] $'000	Super-annuation[4] $'000	Vehicles[5] $'000	Other benefits[6] $'000	Other non-monetary benefits[7] $'000	Total $'000
Mr C Griplas (to 1/7/2014) *Chief Executive Officer*	2	–	–	–	–	–	–	2
Mr B Dwyer (from 3/11/14) *Chief Executive Officer*	276	–	–	13	13	–	25	327
Mr P Guarino *Chief Operating Officer*	302	50	–	24	27	–	3	406
Mr N Harriman *General Manager Retail & Hospitality*	213	39	–	22	16	–	(6)[9]	284
Mr S Holmes *General Manager Risk & Resilience*	193	30	–	22	–	24	5	274
Mr K Maynard *Company Secretary*	180	16	–	19	11	–	7	233
Mr S McCall *Chief Financial Officer*[8]	308	37	–	22	17	–	19	403
Mr J McGrath *General Manager Human Resources*	251	48	–	23	20	–	(12)[9]	330
Capt S Michael *General Manager Marine Operations*	277	41	–	23	19	–	23	383
Total	**2,002**	**261**	**–**	**168**	**123**	**24**	**64**	**2,642**

2014 Executive remuneration	Salary[1] $'000	Incentive payments[2] $'000	Termination benefits[3] $'000	Super-annuation[4] $'000	Vehicles[5] $'000	Other benefits[6] $'000	Other non-monetary benefits[7] $'000	Total $'000
Mr C Griplas (to 1/7/2014) *Chief Executive Officer*	436	44	–	25	18	–	(110)[9]	413
Mr P Guarino *Chief Operating Officer*	297	25	–	20	24	–	41	407
Mr N Harriman *General Manager Retail & Hospitality*	207	24	–	20	16	–	20	287
Mr S Holmes *General Manager Risk & Resilience*	187	21	–	20	–	23	15	266
Mr K Maynard *Company Secretary*	175	8	–	17	15	–	(10)[9]	205
Mr S McCall *Chief Financial Officer*	262	30	–	21	1	22	26	362
Mr J McGrath *General Manager Human Resources*	244	26	–	20	18	–	36	344
Capt S Michael *General Manager Marine Operations*	271	26	–	20	20	–	41	378
Total	**2,079**	**204**	**–**	**163**	**112**	**45**	**59**	**2,662**

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

2. Incentive payments are non-recurrent payments that depend on achieving specified performance goals within specified timeframes. Short-term incentive payments are capped at 15 per cent of total remuneration.

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

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

5. Vehicles benefits include cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance costs and fringe benefits tax.

6. Other benefits include all other forms of employment allowances (excludes expense reimbursements) and other compensation paid and payable, including motor vehicle allowances.

7. Other non-monetary benefits include accrued annual and long service leave movements and non-monetary benefits (such as subsidised goods and services).

8. Mr S McCall was acting CEO for the period 1 July 2014–2 November 2014.

9. Negative movements in non-monetary benefits are the result of reductions in employee provisions.

No key management personnel appointed during the period received a payment as consideration for agreeing to hold the position.

Remuneration principles

Non-executive Directors

Non-executive Directors are appointed by the Tasmanian Government's Treasurer and Minister for Infrastructure. Each instrument of appointment prescribes a maximum period of three years and the relevant remuneration provisions. Directors can be reappointed.

The level of fees paid to Directors is administered by the Tasmanian Government 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.

Directors' remuneration is reviewed periodically and any increases are subject to approval by the Treasurer and the Minister for Infrastructure.

Executive remuneration

The Company has a Board-endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance guidelines for Director and executive remuneration dated December 2014. Under these guidelines, the remuneration band for the CEO is determined by the Government Business Executive Remuneration Panel. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's remuneration.

The CEO is appointed by the Board. The Board consults with the Government Business Executive Remuneration Advisory Panel when determining the CEO's remuneration package.

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave, non-cash benefits and vehicle provisions.

The terms of employment of each senior executive, including the CEO, contain a termination clause. Standard terms of employment for new senior executives were revised in December 2014 to include termination clauses that require the senior executive or the Board to provide a minimum notice period of up to six months prior to termination of the contract.

The performance and remuneration package of each senior executive, including the CEO, is reviewed annually.

Incentive payments

The Board sets fixed performance targets with goals and indicators aligned to the creation of value.

Short-term incentive payments awarded during the current year include:

- Mr P Guarino was granted a cash bonus of $31,372 for achieving agreed performance goals.
- Mr N Harriman was granted a cash bonus of $29,440 for achieving agreed performance goals.
- Mr S Holmes was granted a cash bonus of $26,698 for achieving agreed performance goals.
- Mr K Maynard was granted a cash bonus of $10,395 for achieving agreed performance goals.
- Mr S McCall was granted a cash bonus of $37,390 for achieving agreed performance goals.
- Mr J McGrath was granted a cash bonus of $31,860 for achieving agreed performance goals.
- Mr S Michael was granted a cash bonus of $31,876 for achieving agreed performance goals.

Long-term incentive payments were also made during the year. This scheme has now closed and payments already in the scheme will be honoured and paid as they fall due.

NOTE 24 RELATED-PARTY TRANSACTIONS

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company during the reporting period 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 paid $130,000 (2014: $130,000) in sponsorship to the Tourism Industry Council Tasmania. Mr B Dwyer is a Director of the Tourism Industry Council Tasmania, for which he received no remuneration.

NOTE 25 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, as well as 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:

	2015 $'000	2014 $'000
Cash and cash equivalents	90,200	81,328

Cash flows from operating activities	**2015 $'000**	**2014 $'000**
Profit for the period	1,155	10,383
Gain on the sale of non-current assets	(27)	(5)
Asset impairment	15,820	(3,204)
Depreciation	15,095	14,211
Amortisation – leasehold improvements and intangibles	1,293	1,068
Income tax expense	517	4,463
Movements in working capital		
(Increase)/decrease in trade and other receivables	1,284	(407)
(Increase)/decrease in inventories	541	(69)
(Increase)/decrease in prepaid expenses	(1,365)	(662)
Increase/(decrease) in trade and other payables	1,264	1,362
Increase/(decrease) in revenue received in advance	2,861	1,851
Increase/(decrease) in provisions	1,494	2,553
Net cash provided by operating activities	**39,932**	**31,544**

NOTE 26 OPERATING LEASE ARRANGEMENTS

Operating leases

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

Non-cancellable operating lease payments	2015 $'000	2014 $'000
Under one year	2,927	3,004
Longer than one year but not longer than five years	8,723	8,720
Longer than five years	6,065	8,960
	17,715	**20,684**

The Company also acts as a lessor, leasing out the gaming and general stores on board the vessels to specialist third-party operators.

NOTE 27 COMMITMENTS FOR EXPENDITURE

Capital expenditure commitments	2015 $'000	2014 $'000
Vessel dry dock	7,169	5,880
Vessel refurbishment	5,998	–
	13,167	**5,880**

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	2015 $	2014 $
Audit of the financial report	68,890	67,510

The auditor of the Company is the Tasmanian Audit Office.

NOTE 29 EVENTS AFTER THE REPORTING DATE

In the interval between the end of the financial year and the date of this report, no items, transactions or events of a material and unusual nature have arisen that are likely, in the opinion of the Directors, to significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future financial years.

NOTE 30 CONTINGENT ASSETS AND LIABILITIES

There were no material contingent assets or liabilities at 30 June 2015 (2014: Nil).

APPENDIX TO ANNUAL REPORT - UNAUDITED

APPENDIX A - BUY LOCAL AND PAYMENT OF ACCOUNTS

Buy local

The Company has ensured it has appropriate policies and procedures in place that support, wherever possible, purchasing from Tasmanian businesses.

Procurement is undertaken in a way that seeks to support Tasmanian businesses and is consistent with the general principles of value for money, open and effective competition, ethical conduct in purchasing as well as enhancing opportunities for Tasmanian businesses.

Due to the nature of the maritime industry a significant amount of supplies, including but not limited to fuel and spares for the vessels, are not available for purchase in Tasmania.

Purchases from Tasmanian businesses (including GST)	**2015**
Value of purchases from Tasmanian businesses ($'000)	37,107
Percentage of purchases from Tasmanian businesses	20%

Consultancy costs expensed through the income statement greater than $50,000 (excluding GST)

Consultant	**Location**	**Description**	**Engagement**	**2015 $'000**
BDA Marketing Planning	Victoria	Industry and market advice	Adhoc	87
Holman Fenwick Willan	Victoria	Employment matters including workers compensation	Adhoc	71
Page Seager	Tasmania	General legal advice	Adhoc	192
PricewaterhouseCoopers	New South Wales and Victoria	Specialised project advice	Adhoc	86
Corporate Communications	Tasmania	Public relations advice	Monthly Retainer	62
FAB Solutions	Victoria	Independent bar stocktake service	Monthly	52
Hospitality & Media Pty Ltd	New South Wales	Hospitality and retail research and implementation	Adhoc	54
KPMG	Tasmania	Internal audit/advice	Annual engagement	101
			Total	**705**
		68 other consultants were engaged, each for $50,000 or less, totalling		**683**
			Total cost of consultants	**1,388**

Payment of accounts

The Company has implemented procedures to ensure that payment cycles are appropriately matched to the majority of different terms extended by suppliers. Supplier accounts are reviewed regularly to ensure that invoices are being paid promptly.

Accounts due or paid within the year	**2015**	**2014**
Creditor days	20	20

2015	**Number of invoices**	**$'000**
Invoices due for payment (including GST)	23,297	213,622
Invoices paid on time (including GST)	16,987	183,353
Payments for interest or fees on overdue invoices	9	–