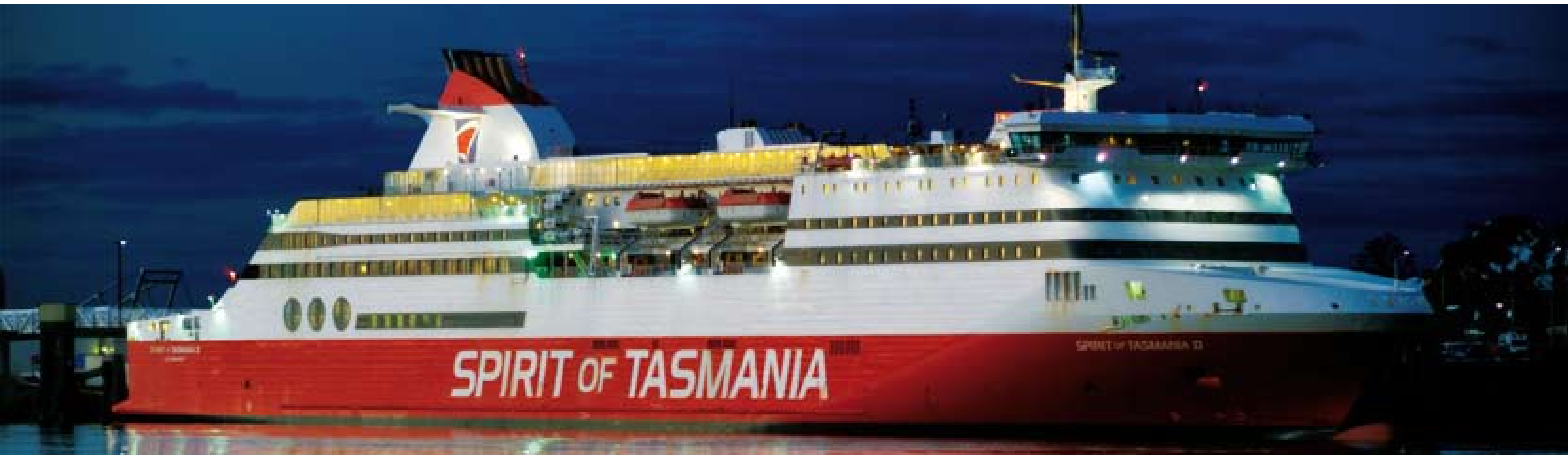
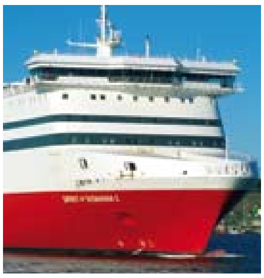
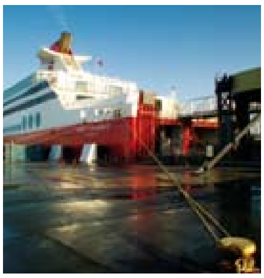
# TT-LINE COMPANY PTY LTD

## annual report

## 2007-2008





SPIRIT OF TASMANIA


## COMPANY VISION

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

## COMPANY MISSION

The start of one of Australia's great journeys 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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*"The TT-Line Company has completed another year of solid performance and achievement."*

Denis Rogers - CHAIRMAN


# FROM THE CHAIRMAN

The TT-Line Company has completed another year of solid performance and achievement.

It was very pleasing to be able to report last year on the strong turnaround in the company's overall performance.

It is just as pleasing to report this year that our financial performance has continued to improve, with the company recording a profit of $16.5 million compared to $10.6 million last financial year.

In addition, our underlying operational profit has also improved to $13.6 million compared to $4.2 million last year.

While passenger numbers decreased slightly, the profit achieved is thanks in part to strict cost control measures, effective yield management and continued growth of our freight business at a time when all Tasmanian-based freight forwarders are enjoying strong growth.

Fuel prices increased by a staggering 52.6 per cent this year compared to the previous financial year. To help cover this cost increase, plus increased wages and ship maintenance expenses experienced over the past 12 months, scheduled passenger fares increased by five per cent while the fare for a standard vehicle also increased.

As has been the case in previous years, safety continued to be an issue of critical importance for TT-Line.

The challenge of replacing *Spirit of Tasmania I* and *II* has also become the responsibility of the current Board.

As noted in last year's annual report, the Board extended the working lives of the Spirits to 2017 taking into account their age and subject to their being appropriately maintained and kept in good condition.

The priority for TT-Line therefore is to reduce its debt and further strengthen the financial position in preparation for the timely replacement of both vessels.

TT-Line is a member of the Federal Government's Greenhouse Challenge Plus Program.

The company is planning major investment for both vessels that will save fuel and reduce greenhouse gas emissions.

Underwater paint coatings will be removed and replaced with a smooth fluoropolymer paint that is expected to deliver an annual reduction in fuel consumption. Eight new super polished propeller blades, featuring a new speed optimsation design, will also be fitted to deliver further efficiencies. These reductions will not only save money at a time when fuel prices are increasing, but importantly will reduce our greenhouse gas emissions.

On shore, recycling efforts have increased at Devonport and Melbourne. The company will be ordering recycled paper and is investigating on-board recycling of glass. The green-conscious contributions of staff to the overall effort are particularly important.

As was widely reported at the time, TT-Line appointed a new Chief Executive Officer in 2007/08. Charles Griplas is highly experienced in the maritime sector and played a pivotal role in a range of business strategies and projects and successfully developing new commercial opportunities. He has excellent commercial expertise and is highly regarded within the sector.

The Board is very pleased with the work Charles and his senior management team have undertaken since he commenced his employment with the organisation.

Charles replaced Peter Simmons who retired after 12 years with the company in March 2008. I would like to note Peter's contribution to the overall success of the organisation during his tenure. The company developed significantly during Peter's time as CEO, and today annually contributes an estimated $400 million to the Tasmanian economy.

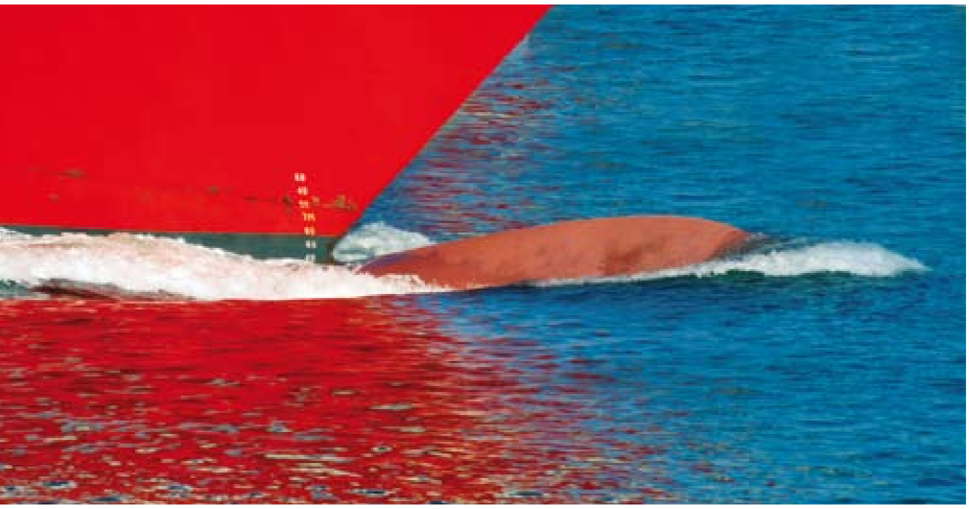
In closing, I would like to note the important contribution of the senior management team and all employees to the result achieved in 2007/08. I would also like to thank my fellow Directors for their work and support during the year.

Representatives of the senior management group and I regularly met with the ministers responsible for TT-Line throughout 2007/08. I would like to therefore thank Ministers Michael Aird, Jim Cox, Steve Kons and Graeme Sturges for their valuable contribution.

**Denis W Rogers AO**
**Chairman**

*"Since my appointment as TT-Line's Chief Executive Officer in March 2008, the senior management team and I have been preparing the company to deal with future challenges."*

Charles Griplas - CHIEF EXECUTIVE OFFICER



## FROM THE CHIEF EXECUTIVE

Since my appointment as TT-Line's Chief Executive Officer in March 2008, the senior management team and I have been preparing the company to deal with future challenges.

While the company has a robust balance sheet and is well positioned in the highly competitive passenger and freight market, the organisation will face a number of challenges in the short to medium-term.

As the Chairman has stated in his report, fuel prices increased by more than 50 per cent in 2007/08. Competition from low-cost airlines for passengers will continue to be a challenge, and travel intentions and preferences point to overseas travel rather than domestic holidays.

Reigniting the passion of Tasmanians to travel on the Spirits is a major goal for the company.

While Tasmanians regard the Spirits as icons of the State, they also view the ships as a means of transport rather than a unique travel experience. The company must take advantage of this icon status and encourage more Tasmanians to travel on the ships rather than the low-cost budget airlines.

While the short-term to medium-term future does hold some challenges for TT-Line, reporting on the 2007/08 financial year provides us with an opportunity to reflect on a number of very positive achievements for the company.


## 2007/08 highlights

During the financial year total revenue was $166.9 million, a record for the company.

Terminal Services checked in 385,028 passengers, 177,265 passenger vehicles and 85,594 units of freight. The number of regular freight customers also passed the 200 mark for the first time in the company's history.

The Spirits carried significant quantities of perishable product and, in doing so, strongly supported Tasmania's fresh food producers. As Tasmanians would appreciate, the State's north-west coast is the fruit and vegetable bowl of Australia, and the company is keen to continue to work with Tasmanian producers to assist them to transport their fresh product to interstate markets.

The Federal Government contributed $29.9 million under the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES), which was passed on to passengers directly through reduced vehicle fares. As a result the cost of transporting a standard vehicle on Bass Strait on board *Spirit of Tasmania* was reduced from $72 one-way to $58 (from 1 July 2008).

"TT-Line has maintained and expanded its strong support of the community through a variety of initiatives."

Charles Griplas - CHIEF EXECUTIVE OFFICER


## Community support

TT-Line has maintained and expanded its strong support of the community through a variety of initiatives. While this support of worthwhile organisations and initiatives will continue in the future, the company will also work to develop stronger relationships with Tasmanian business.

In 2007/08, TT-Line sponsored the *Spirit of Tasmania* Award as part of the Southern Cross Young Achiever Awards. The award was presented to Katy Pakinga who opened her own performance arts studio, Encore, in Burnie in response to community need. In 2003 Katy created a contemporary youth choir and, in just four years, the Burnie Youth Choir was awarded a prize at the McDonalds Performing Arts Challenge in Sydney last year.

The company also sponsored the *Spirit of Tasmania* Postgraduate Prize at the Australian Maritime College (AMC). Awarded for excellence in postgraduate studies in any discipline at the AMC, the recipient, Celia Milne, is undertaking a Master of Business Administration (Marine Resource Management).

TT-Line's support of education extends to the University of Tasmania where it provides two scholarships for final-year students transferring from TAFE Tasmania's Drysdale Institute to complete hospitality-based degrees. The company is providing financial assistance to two students, this year Anna Boyes and Vanessa Alcock, to undertake Bachelor of Business Administration in either tourism or hospitality management.

TT-Line is a major sponsor of the Tourism Industry Council of Tasmania. The sponsorship assists with the administration of the organisation and staging of the Tasmanian Tourism Awards.

The Tasmanian Air Rescue Trust benefited from a $1500 donation from TT-Line through a *Spirit of Tasmania* work-safe initiative.

## Environment

TT-Line has been a member of the Federal Government's Greenhouse Challenge Plus program for two years and closely monitors its performance in terms of greenhouse gas emissions.

The company is planning major investment for both vessels that will save fuel and reduce greenhouse gas emissions in 2008/09 and 2009/10.

In 2008/09 TT-Line will be introducing additional recycling programs on board its vessels. Cardboard and paper are currently recycled on the Spirits.

An energy audit is also planned for 2008/09 to identify additional areas where the company can reduce its emissions.

## Brand

Research conducted for the company in 2007/08 found that *Spirit of Tasmania* was the dominant brand for travel to Tasmania for Victorians.

The research also found that *Spirit of Tasmania* had the highest advertising recall for travel between mainland Australia and Tasmania.

Retail initiatives delivered outstanding results – the day sailings promotion delivered a 37 per cent increase on previous day fare offers while the 2008 Winter promotional targets were well exceeded with 40 per cent growth on Winter strategies compared to the previous year.

During the year nearly 590,000 direct mail pieces were distributed to potential and past travellers. This activity generated nearly 26,000 passengers and nearly $5.2 million in revenue.

The company's strategy to grow online bookings was achieved with results well above target. For the 2007/08 year, this distribution channel achieved 33 per cent of bookings, representing a five per cent growth on the previous year. Online advertising generated more than 44,000 passengers and $8.1 million in revenue.

The *Spirit of Tasmania* website (spiritoftasmania.com.au) received 1.16 million unique visitors. This represents a seven per cent increase on the previous year.

The company's representatives participated in 57 trade shows throughout Australia that were attended by more than 60,000 people.

*Spirit of Tasmania*'s North West Catalogue was a finalist in the prestigious Australian Direct Marketing Association's (ADMA) awards in 2007.

The 2007/08 Tasmanian Magazine generated more than 9000 passengers and more than $1.8 million in revenue. This publication profiled 101 Tasmanian operators to potential interstate passengers.

"TT-Line has a strong commitment to purchase, whenever possible, from Tasmanian suppliers and has built long-term relationships with Tasmanian partners."

Charles Griplas - CHIEF EXECUTIVE OFFICER

## People

In 2007/08 the Company successfully completed a three-year Enterprise Bargaining Agreement (EBA) with the Maritime Union of Australia (MUA) covering cooks, stewards, integrated ratings, medical attendants, ship security officers and in-port cleaners.

One of the highlights of the agreement was the increase provided for training of integrated ratings, an area where there is a chronic industry shortage.

For the life of the EBA, TT-Line has agreed to place four trainee integrated ratings in the Australian Maritime College training program each semester.

An employee opinion survey was commissioned in July 2008, the results of which will form the basis of engaging staff on cultural change initiatives in the future.

## Safety and reliability

The Safety and Technical Services department (now called Marine Operations) continues to administer, oversee and self-audit all aspects of ship operations under the International Safety Management code (ISM).

The company's vessels continued to meet world's best practice in performance, safety and reliability.

Both vessels saw the completion of a major nine-month project to extend car deck space on deck six and to extend the covered area of deck five.

The work, undertaken by Tasmanian company Taylor Brothers, has provided an additional 250 lane metres on each vessel.

Both vessels completed their second cycle surveys in February and March 2008. While passenger vessels are subject to stringent annual surveys, they also must complete a full survey cycle every five years.

Planning for major dry dockings for both vessels in 2008/09 and 2009/10 were completed.

Sadly, the company lost the department's former Director, Captain Tony Beale, to cancer on 12 June 2008. Tony's contribution to the organisation since he commenced in 1998 was significant. His support and friendship to TT-Line employees, customers and other stakeholders will be greatly missed.

## Hospitality

*Spirit of Tasmania*'s hospitality operation spends close to $6 million annually, buying goods and services from Tasmanian suppliers.

TT-Line has a strong commitment to purchase, whenever possible, from Tasmanian suppliers and has built long-term relationships with Tasmanian partners. TT-Line benefits because it is able to purchase quality produce for passengers and suppliers benefit through the security of a long-term business relationship.

Preparatory work was completed in 2007/08 to conduct major upgrade works to the public areas on *Spirit of Tasmania II* during the vessel's biannual dry dock in July/August 2008. *Spirit of Tasmania I* will undergo the same refurbishment when it is dry docked in 2009/10.

During dry dock 25 Tasmanian suppliers and contractors will spend three weeks laying carpets, fitting new lights, hanging pictures and window furnishings and upholstering furniture.

Prior to dry dock, the team at Devonport's Streamline Upholstery has been reupholstering chairs, manufacturing new chairs and cutting fabric for the refurbishment.

Nearly 2,800 $m^2$ of new Tasmanian-made carpet will be laid throughout the public areas on deck seven and in all accommodation alleyways, stairs and landings.

*"The program has two key goals - to attract and retain high calibre staff and to foster a true customer-focused culture within TT-Line's hospitality operation."*

Charles Griplas - CHIEF EXECUTIVE OFFICER


TT-Line established a Spirit of Service training partnership with Drysdale Institute in 2007/08.

The program has two key goals - to attract and retain high-calibre staff and to foster a true customer-focused culture within TT-Line's hospitality operation.

A six-part TT-Line customer service 'college' has been designed to develop skills, from entry level to management. Innovative delivery by Drysdale and TT-Line trainers includes e-learning, video recording and analysis, role play, game-based activities and workshops with expert industry consultants.

All training is mapped to national Units of Competence to ensure participants gain recognised qualifications.

The company-owned Edgewater Hotel is located just a short distance from TT-Line's Devonport terminal. Purchased in 2003 to accommodate TT-Line's hospitality crew, the property has gradually been upgraded.

Following the addition of new units in 2005 and a major facelift of the bar, dining and gaming areas in 2006, the Edgewater Hotel is now used by business and leisure travellers. The next phase of property upgrades will start in August 2008.

**Charles Griplas**
**Chief Executive Officer**

# VESSEL FLEET

## *Spirit of Tasmania* Facts

*Spirit of Tasmania I* and *II* were built in 1998 by Kvaerner Masa-Yards in Finland. They have a displacement weight of almost 30,000 tonnes and a length of 194.3 metres.

*Spirit of Tasmania I* and *II* cross Bass Strait at a cruising speed of 27 knots which is the equivalent of 50 kilometres per hour. The 429 kilometre voyage across Bass Strait is roughly twice the distance by road between Devonport and Strahan, on Tasmania's west coast.

Stretched end-to-end, the vehicle lanes on each ship would be almost two kilometres long!

### *Spirit of Tasmania* Facts

| | |
|---|---|
| Operator | TT-Line Company Pty Ltd |
| Builder | Kvaerner Masa-Yards of Finland |
| Year built | 1998 |
| Ship type | Roll-On/Roll-Off passenger and freight vessel |
| Class | American Bureau of Shipping |
| Overall length | 194.3m |
| Overall width | 25.0m |
| Gross tonnage | 29,338 tonne |
| First commercial crossing | 1 September 2002 |
| Average speed | 27 knots |
| Crossing time | 9-11 hours (approx.) |
| Total berths | 748 |
| Number of cabins (all with bathroom facilities) | 222 |
| Ocean View Recliners | 146 |
| Vehicle lane metres | 2,565 metres |
| Distance from port to port | 232 nautical miles (429 kilometres) |
| Distance from head to head | 190 nautical miles (352 kilometres) |
| Distance from Station Pier to head | 42 nautical miles (77 kilometres) |

*Note: A knot equals 1 nautical mile per hour. A nautical mile equals 6080 feet, 1852 metres or 1.85 kilometres.*

# TT-LINE COMPANY PTY LTD

## EXPLANATION OF THE NUMBERS STATEMENT - UNAUDITED

### For Year Ended 30 June

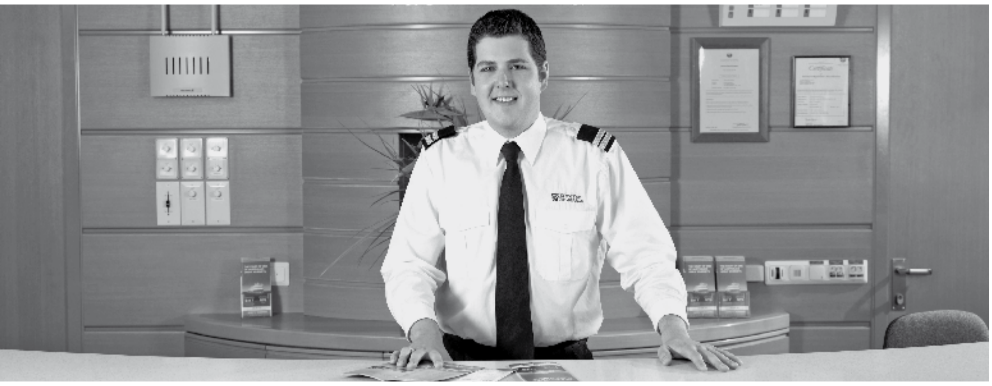
| | June-08 $'000 | June-07 $'000 |
|---|---|---|
| Revenue | | |
| Devonport - Melbourne | 164,351 | 150,988 |
| Devonport - Sydney | - | 2,122 |
| Other Revenue | 2,869 | 2,739 |
| | 167,220 | 155,849 |
| Expenses from operations | | |
| Devonport - Melbourne | (145,709) | (139,270) |
| Devonport - Sydney | - | (2,858) |
| Other expenses | (2,780) | (2,675) |
| | (148,489) | (144,803) |
| Interest expense | | |
| Devonport - Melbourne | (5,161) | (5,844) |
| Devonport - Sydney | - | (965) |
| | (5,161) | (6,809) |
| **UNDERLYING OPERATIONAL PROFIT/(LOSS)** | 13,570 | 4,237 |
| **Represented as follows:** | | |
| Devonport - Melbourne | 13,481 | 5,874 |
| Devonport - Sydney | - | (1,701) |
| Other | 89 | 64 |
| | 13,570 | 4,237 |
| **Reconciliation to Audited Profit for the period** | | |
| Underlying operational profit/(loss) | 13,570 | 4,237 |
| *Accounting adjustments* | | |
| Benefit/(costs) associated with sale of *Spirit of Tasmania III* | - | 1,132 |
| Interest received/(expense) - Financial asset | 159 | - |
| Defined benefits superannuation adjustment | (31) | (657) |
| Profit before taxation equivalent expense | 13,698 | 4,712 |
| Taxation benefit | 2,834 | 5,928 |
| **Profit for the period - audited** | **16,532** | **10,640** |

# TT-LINE COMPANY PTY LTD

ABN 39 061 996 174

## ANNUAL REPORT

## For the Financial Year ended 30 June 2008



# CORPORATE GOVERNANCE STATEMENT

While TT-Line is not a listed company, it has adopted, where applicable, practices in compliance with the relevant sections of the ASX Corporate Governance Council, Corporate Governance Principles and Recommendations (2nd Edition) January 2008.

Our practices in relation to the 8 Principles are in summary:

1. **Lay solid foundations for management and oversight:**

   The Board is responsible for the overall performance of the business to achieve the objects of the company as set out in the Constitution in accordance with the *TT-Line Arrangements Act 1993* (the Act); viz.

   "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 objects of the company and for effective oversight of management.

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

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

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

   Any director may take such independent legal, financial or other advice as they consider necessary at the company's cost, subject to the prior approval of the Chairman.

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

The current committees are:

- Audit & Risk;
- Remuneration.

The Board has delegated to the Chief Executive Officer relevant authority to manage the day-to-day operations of the company subject to such specific delegations and limits that the Board makes from time to time.

**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 two shareholders.

The chairman and directors are all independent non-executive directors. The details of the individual directors are set out on page 17.

**3. Promote ethical and responsible decision-making:**

The company has adopted a Code of Conduct and Ethics which governs TT-Line commercial operations and the conduct of directors, employees, consultants and all other people when they represent TT-Line.

**4. Safeguard integrity in financial reporting:**

The Chief Executive Officer and the Chief Financial Officer provide detailed written undertakings to the Board providing assurances that the company's financial reports present a true and fair view and are in accordance with relevant accounting standards.

The Board has established an audit and risk committee. This committee is chaired by Ms Jayne Wilson and the other members of this committee are Mr Denis Rogers AO, Mr Tony Tobin, Mr Mike Grainger (retired from this committee on 1 April 2008) and Mr Rodney Chadwick (elected to this committee on 1 April 2008).

This committee has a formal charter which is reviewed on a regular basis.

The external auditor is the Tasmanian Audit Office. The Auditor-General or his representative attends meetings of the audit and risk committee from time to time.

**5. Make timely and balanced disclosure:**

TT-Line is not a listed company and therefore does not have reporting obligations to the stock exchange.

**6. Respect the rights of shareholders:**

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

The Auditor-General is invited to attend the company's Annual General Meeting 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 company is committed to ensuring that all key risks are identified, assessed and appropriately managed. In this regard, consideration is given to balancing the potential costs of the risk, the benefits from exposure to the risk and the cost of controlling the risk.

The Board, and in particular the audit and risk committee, oversee the establishment, implementation, and periodic review of the company's risk management systems. Management has established and implemented a system for assessing, monitoring and managing operational, financial reporting, and compliance risks for the company.

A formal risk assessment process, to document the organisational strategic risk profile, has been undertaken and this profile is subject to regular periodic update. The outputs from this process are reviewed by management and the audit and risk committee and ultimately are reported to the Board. Each business unit is responsible and accountable for implementing and managing the extent of exposure to identified risks.

**8. Remunerate fairly and responsibly:**

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

The remuneration committee is chaired by Ms Jayne Wilson and its other members are Mr Denis Rogers AO and Mr Michael Grainger (member since 2 June 2008). Captain Ken Ross had been a member of this committee until his retirement from the Board.

# DIRECTORS' REPORT

The directors of TT-Line Company Pty Ltd submit herewith the annual financial report of the company for the financial year ended 30 June 2008. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

**Information about the directors**

The names and particulars of the directors of TT-Line Company Pty Ltd during or since the end of the financial year are:

| Name | Particulars |
|---|---|
| Mr Denis Rogers AO | Chairman of Tasmanian Development Board and Chairman of the Tasmanian Institute of Sport. Member of the audit and remuneration committees. Appointed Chairman and director 15 March 2005. |
| Captain Ken Ross | Management experience in maritime industries with an international reputation. Director since 1993. |
| Mr Simon Currant | Widespread management and marketing experience in all aspects of the tourism industry. Chairman of Tourism Industry Council Tasmania and Director of Tourism Tasmania. Director since 1996. |
| Ms Jayne Wilson | Broad corporate finance expertise and is self employed as a business consultant. Member of the Tasmanian Innovations Advisory Board. Chairperson of the audit and remuneration committees. Appointed director 24 May 2005. |
| Mr Michael Grainger | Currently Managing Director of Liferaft Systems Australia, Director of Tasmanian Development Board and Director of Interferry. Member of DNV International HSLC and Ferry Technical Committee. Member of remuneration committee. Appointed director 24 May 2005. |
| Mr Anthony Tobin | Extensive legal expertise in corporate and commercial law and corporate governance and is a founding partner of Gilbert & Tobin. Member of the Corporations Committee of the Business Law Section of the Law Council of Australia and director of a number of private companies and non-profit organisations. Member of the audit committee. Appointed director 24 May 2005. |
| Dr Jeffrey Hawkins | Extensive experience in international shipping both as Master Mariner and in senior executive positions in the maritime industry. Currently managing director of the Asia Pacific Maritime Institute. Appointed director 28 June 2007. |
| Mr Rodney Chadwick | Currently Chairman of Ausmelt Ltd, Chairman of KLM Group Ltd, Chairman of the Monash University Medical Foundation, Director of Selpam Group of Companies and an advisory board member of PGA Management Pty Ltd and Oracle Corporation Australia Pty Ltd. Has over 35 years experience in business management including holding the position of Managing Director of Pacific Dunlop Ltd. Member of audit committee. Appointed director 4 December 2007. |
| Mr Peter Simmons | Chief Executive Officer of TT-Line Company Pty Ltd from 1995 to 2008. Previously 21 years with Mayne Nickless, holding the position of Group Director for last 5 years. Appointed director 15 November 2005. |

The above-named directors held office during the whole of the financial year and since the end of the financial year except for:

- Mr Peter Simmons – resigned 4 March 2008
- Mr Rodney Chadwick – appointed 4 December 2007
- Captain Ken Ross – resigned 1 November 2007

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in Note 27 to the financial statements.

**Principal activities**

The principal activities of the company during the course of the financial period were the provision of a passenger, vehicle and freight shipping service between Tasmania and mainland Australia.

**Review of operations**

The company reported a profit after tax of $16,532 thousand for the year ended 30 June 2008 ($10,640 thousand for 30 June 2007) primarily due to the strong demand for both passenger and freight services whilst also achieving increased yields. Costs were well managed over the financial year through initiatives such as reduced winter sailings and paying down debt to reduce interest expenses.

The value of the vessels operated has remained constant at 90,000 Euro each. Due to the movement in the AUD/EURO exchange rate there was $6,613 thousand increase (after tax impact) in the value of the Asset Revaluation Reserve attributable to the current year revaluation of *Spirit of Tasmania 1* and *11*. (Refer note 12).

| **Key Statistics** | Jun-08 | Jun-07 | Jun-06 | Jun-05 |
|---|---|---|---|---|
| Voyages | 804 | 825 | 1,016 | 1,052 |
| Passengers | 385,028 | 393,677 | 440,552 | 451,917 |
| Vehicles | 177,265 | 177,786 | 200,306 | 206,014 |
| Freight (twenty foot equivalent units) | 85,594 | 77,734 | 69,946 | 68,720 |

*Note: Spirit of Tasmania 111 operated in the 2005 and 2006 financial years only.*

**Subsequent events**

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

**Future developments**

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

**Environmental regulations**

The company's operations are subject to various environmental regulations under both Commonwealth and State legislation. The company has a management committee which monitors compliance with environmental regulations. The directors are not aware of any significant breaches during the period covered by the report.

**Dividends**

In accordance with the government's dividend policy for TT-Line Company Pty Ltd, the company will "retain its annual profit for the purpose of debt retirement and funding the replacement cost of its two vessels".

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

**Indemnification and insurance of officers and auditors**

During the financial year, the company paid a premium in respect of an insurance policy covering the liability of all current directors and officers of the company. Disclosures of further details are prohibited by a confidentiality clause.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

**Public Interest Disclosure**

The Board of the company has ratified a Public Interest Disclosure procedure in line with the *Public Interest Disclosure Act 2002* and a copy of these procedures may be viewed at the company's head office during business hours.

During the year ended 30 June 2008, the company received no disclosures that were determined to be public interest disclosures.

**Directors meetings**

The following table sets out the number of directors meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 11 board meetings, 5 audit committee and 1 remuneration committee meetings were held.

| | Board Meetings | | Audit Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|
| Director | Held | Attended | Held | Attended | Held | Attended |
| Mr Denis Rogers AO | 11 | 10 | 5 | 5 | 1 | 1 |
| Captain Ken Ross | 5 | 5 | - | - | 1 | 1 |
| Mr.Simon Currant | 11 | 10 | - | - | - | - |
| Ms Jayne Wilson | 11 | 9 | 5 | 5 | 1 | 1 |
| Mr Michael Grainger | 11 | 11 | 4 | 4 | - | - |
| Mr Anthony Tobin | 11 | 9 | 5 | 4 | - | - |
| Mr Jeffrey Hawkins | 11 | 10 | - | - | - | - |
| Mr Rodney Chadwick | 6 | 6 | 1 | 1 | - | - |
| Mr Peter Simmons | 8 | 8 | - | - | - | - |

**Auditor's Independence Declaration**

The auditor's independence declaration is included on page 20 of the directors' report.

**Rounding off**

The company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and 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 stated.

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

On behalf of the Directors

**D Rogers AO** **J Wilson**

Directors

Hobart, 2 September 2008

# AUDITOR'S INDEPENDENCE DECLARATION

**Tasmanian Audit Office**

Ground Floor, 144 -148 Macquarie Street
Hobart Tasmania 7000

Postal Address
GPO Box 851
Hobart Tasmania 7001

Phone: 03 6226 0100
Fax: 03 6226 0199
e-mail: admin@audit.tas.gov.au

1 September 2008

The Board of Directors
TT-Line Company Pty Ltd
The Esplanade
East 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 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Pursuant to section 298(1)(c) 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**

*Accountability on Your Behalf*

Tasmanian Audit Office

STRIVE | LEAD | EXCEL | *TO MAKE A DIFFERENCE*

# INDEPENDENT AUDIT REPORT

## To the Members of the TT-Line Company Pty Ltd

## Financial Statements for the Year Ended 30 June 2008

### Report on the Financial Statements

I have audited the accompanying financial statements of the TT-Line Company Pty Ltd (the Company), which comprise the balance sheet as at 30 June 2008, the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

*The Responsibility of the Directors for the Financial Statements*

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are 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 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements 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 statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 statements.

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*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the TT-Line Company Pty Ltd dated 1 September 2008 and included in the Directors' Report, would be unchanged if provided to the directors as at the date of this audit report.

**Auditor's Opinion**

In my opinion:

(a) the financial statements of the TT-Line Company Pty Ltd are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the TT-Line Company Pty Ltd as at 30 June 2008 and its financial performance for the year ended on that date, and

  (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

**TASMANIAN AUDIT OFFICE**

E R De Santi
**DEPUTY AUDITOR-GENERAL**
**Delegate of the Auditor-General**

HOBART
10 September 2008

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

*Making a Difference*

# DIRECTORS' DECLARATION

The directors declare that:

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

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

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

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

On behalf of the Directors

D Rogers AO

J Wilson

Hobart
3 September 2008

# INCOME STATEMENT
## For the Financial Year ended 30 June 2008

| | Note | Jun-08 $'000 | June-07 $'000 |
|---|---|---|---|
| Revenue | 4 | 166,863 | 155,336 |
| Cost of sales | 5 | (95,246) | (93,187) |
| **Gross profit** | | **71,617** | **62,149** |
| Other income | 7(a) | 5 | 5 |
| Other expenses | 5 | (52,763) | (51,765) |
| Income attributable to discontinued operations | 25 | - | 1,132 |
| Finance costs | 6 | (5,161) | (6,809) |
| **PROFIT BEFORE TAXATION EQUIVALENT BENEFIT** | | **13,698** | **4,712** |
| Taxation equivalent benefit | 8 | 2,834 | 5,928 |
| **PROFIT FOR THE YEAR** | | **16,532** | **10,640** |
| **PROFIT FROM CONTINUING OPERATIONS** | 24 | **16,532** | **11,209** |
| **LOSS FROM DISCONTINUED OPERATIONS** | 25 | **-** | **(569)** |
| | | **16,532** | **10,640** |

*Notes to the financial statements are included on pages 28 to 66.*

# BALANCE SHEET
## As at 30 June 2008

| | Note | Jun-08 $'000 | June-07 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 23(a) | 50,160 | 27,608 |
| Trade and other receivables | 9 | 12,274 | 12,459 |
| Inventories | 10 | 2,247 | 1,280 |
| Other | 11 | 451 | 1,622 |
| **TOTAL CURRENT ASSETS** | | **65,132** | **42,969** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 12 | 303,689 | 297,596 |
| **TOTAL NON-CURRENT ASSETS** | | **303,689** | **297,596** |
| **TOTAL ASSETS** | | **368,821** | **340,565** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 13 | 15,180 | 10,943 |
| Borrowings | 14 | 25,000 | - |
| Provisions | 15 | 7,443 | 6,839 |
| Other | 16 | 8,102 | 7,704 |
| **TOTAL CURRENT LIABILITIES** | | **55,725** | **25,486** |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 14 | 50,000 | 74,999 |
| Provisions | 15 | 4,552 | 4,681 |
| **TOTAL NON-CURRENT LIABILITIES** | | **54,552** | **79,680** |
| **TOTAL LIABILITIES** | | **110,277** | **105,166** |
| **NET ASSETS** | | **258,544** | **235,399** |
| **EQUITY** | | | |
| Issued Capital | 18 | 328,981 | 328,981 |
| Reserves | 19 | 21,800 | 15,187 |
| Accumulated losses | 20 | (92,237) | (108,769) |
| **TOTAL EQUITY** | | **258,544** | **235,399** |

*Notes to the financial statements are included on pages 28 to 66.*

# STATEMENT OF RECOGNISED INCOME AND EXPENSE

## For the Financial Year ended 30 June 2008

| | Note | Jun-08 $'000 | Jun-07 $'000 |
|---|---|---|---|
| Gain on ship revaluation | 19 | 9,447 | 19,761 |
| Income tax on items taken directly to equity | 19 | (2,834) | (5,928) |
| **Net income recognised directly in equity** | | **6,613** | **13,833** |
| Profit for the year | | 16,532 | 10,640 |
| **Total recognised income and expense for the year** | | **23,145** | **24,473** |

*Notes to the financial statements are included on pages 28 to 66.*

# CASH FLOW STATEMENT
## For the Financial Year ended 30 June 2008

| | Note | Jun-08 $'000 | Jun-07 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash receipts in the course of operations | | 181,311 | 166,537 |
| Interest received | | 2,646 | 974 |
| Cash payments in the course of operations | | (147,128) | (153,952) |
| Borrowing costs paid | | (5,169) | (8,381) |
| Net cash provided by operating activities | 23 (c) | 31,660 | 5,178 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment | | 93 | 109,769 |
| Payments for property, plant and equipment | | (9,201) | (2,760) |
| Net cash (used in)/ provided by investing activities | | (9,108) | 107,009 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of borrowings | | - | (110,600) |
| Contribution from owners | | - | 22,500 |
| Net cash used in financing activities | | - | (88,100) |
| Net increase in cash held | | 22,552 | 24,087 |
| Cash and cash equivalents at the beginning of the financial year | | 27,608 | 3,521 |
| Cash and cash equivalents at the end of the financial year | 23 (a) | 50,160 | 27,608 |

*Notes to the financial statements are included on pages 28 to 66.*

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 1 General information

TT-Line Company Pty Ltd is a private company limited by shares, incorporated and operating in Australia.

TT-Line Company Pty Ltd registered office and its principal place of business is as follows:

The Esplanade
East Devonport Tasmania 7310
Telephone: (03) 6421 7311
Facsimile: (03) 6427 0588

The company's principal activities are the provision of passenger, vehicle and freight shipping services from Devonport to Melbourne.

### Note 2 Significant accounting policies

**Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 2 September 2008.

**Basis of preparation**

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

**Critical accounting judgments and key sources of estimation uncertainty**

In the application of the company's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and 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. Refer to note 3 for a discussion of critical judgments in applying the entity's accounting policies, and key sources of estimation uncertainty.

**Adoption of new and revised Accounting Standards**

In the current year, the company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the

## Note 2 Significant accounting policies (continued)

current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The company has also adopted the following Standards which only impacted on the company's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statements' (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'.

**Early adoption of Accounting Standards**

The directors have elected under s.334(5) of the *Corporations Act 2001* to apply AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8', even though the Standards are not required to be applied until annual reporting periods beginning on or after 1 January 2009.

As the equity and debt instruments of the company are not traded in a public market or are not in the process of being issued in a public market, the company is not required to comply with the disclosures in AASB 8.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

### (a) Goods and services tax

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

i where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables at note 9.

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

### (b) Revenue

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

Passenger and freight

Revenue from passengers and freight is brought to account at the time of departure of a vessel. Cash received for future sailings is treated as revenue received in advance and disclosed as a liability in the financial statements.

Interest revenue

Interest income is accrued on a time basis, by reference to the principal outstanding and at 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 board trading

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

## Note 2 Significant accounting policies (continued)

Other revenue

Other revenue is recognised as it accrues.

**(c) Government grants**

Government grants are assistance by the government in the form of transfers of resources to the company in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the company other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the company should purchase, construct or otherwise acquire long-term assets are recognised as deferred income in the balance sheet and recognised as income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised as income of the period in which it becomes receivable.

**(d) Income Tax**

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

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither

## Note 2 Significant accounting policies (continued)

taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### (e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

### (f) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of 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 financial asset or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

# NOTES TO THE FINANCIAL STATEMENTS

## For the Financial Year ended 30 June 2008

### Note 2 Significant accounting policies (continued)

- has been acquired for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 26.

<u>Loans and receivables</u>

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 impairment.

Interest is recognised by applying the effective interest rate.

<u>Impairment of financial assets</u>

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are 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 impacted.

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

The carrying amount of the financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an 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.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

<u>Derecognition of financial assets</u>

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 2 Significant accounting policies (continued)

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with all categories being valued on a first-in, first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

**(h) Property, plant and equipment**

The ships are carried in the balance sheet at fair value. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts based on discounted cash flows or capitalisation of net income, as appropriate. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at balance sheet date.

Any revaluation increase arising on revaluation is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit and loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense in profit and 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 items is charged to profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related taxes, is transferred directly to retained earnings.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of an item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 2 Significant accounting policies (continued)

The following useful lives are the same as applied in the prior financial year and are used in the calculation of depreciation:

| | |
|---|---|
| Leasehold improvements | 2 – 30 years |
| Plant and equipment | 3 – 8 years |
| Ships | 30 years |
| Buildings | 30 years |

**(i) Major cyclical maintenance**

Every two years the ships undertake a major maintenance program that requires them to go to a dry dock.

*Change in accounting policy*

For financial years to 30 June 2007 this expense was capitalised as a prepayment and was amortised over the following two years of operations. For the 30 June 2008 financial year this expense has been capitalised as part of the cost of the ship and depreciated over the following two years of operations. The change in accounting policy has not resulted in any change in profit for the 2007 and 2008 financial years. For 2008 and future financial years, the undepreciated balance of capitalised dry dock expenses is incorporated into the carrying amount of ships carried at fair value.

**(j) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

**(k) Leased assets**

Details of the company's operating leases are disclosed at note 22. The company does not have any finance leases.

**(l) Impairment of long-lived assets excluding goodwill**

At each reporting date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent of other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

## Note 2 Significant accounting policies (continued)

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 in the profit or loss immediately, unless the asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer note 2 (h)).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 2 (h)).

**(m) Employee benefits**

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

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

Defined benefits plans

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full, directly in the income statement, in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

**(n) Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a

## Note 2 Significant accounting policies (continued)

provision is measured using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows.

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.

**(o) Financial instruments issued by the company**

Debt and equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 26.

Other financial liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2008

## Note 2 Significant accounting policies (continued)

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 of 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, where appropriate, a shorter period.

**(p) Derivative financial instruments**

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 26 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 each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges or net investments in foreign operations.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

Note 26 contains details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the

## Note 2 Significant accounting policies (continued)

profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement 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 deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

### (q) Foreign currency

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

### (r) Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the company and the company's financial report:

| | |
|---|---|
| • AASB 101 'Presentation of Financial Statements' (revised September 2007) | Effective for annual reporting periods beginning on or after 1 January 2009 |

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the company:

# NOTES TO THE FINANCIAL STATEMENTS

## For the Financial Year ended 30 June 2008

### Note 2 Significant accounting policies (continued)

| | |
|---|---|
| • AASB Interpretation 12 'Service Concession Arrangements', AASB Interpretation 4 'Determining whether an arrangement contains a Lease' (revised), AASB Interpretation 129 'Service Concession Arrangements: Disclosure' (revised), AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB Interpretation 12' | Effective for annual reporting periods beginning on or after 1 January 2008 |
| • AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' | Effective for annual reporting periods beginning on or after 1 January 2008 |
| • AASB Interpretation 13 'Customer Loyalty Programmes' | Effective for annual reporting periods beginning on or after 1 July 2008 |
| • AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| • AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation | Effective for annual reporting periods beginning on or after 1 January 2009 |
| • AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and separate financial statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' | Effective for annual reporting periods beginning on or after 1 July 2009 |
| • AASB 2008-1 'Amendments to Australian Accounting Standard – Share based Payments: Vesting conditions and Cancellations' | Effective for annual reporting periods beginning on or after 1 January 2009 |

The potential effect of the initial application of the expected issue of an Australian equivalent accounting Standard to the following Standards is not expected to have a material impact on the financial report of the company:

| | |
|---|---|
| • IFRS 3 'Business Combinations' and IAS 27 'Separate and Consolidated Financial Statements | Effective for annual reporting periods beginning on or after 1 July 2009 |
| • Improvements to IFRSs (2008) | Effective for annual reporting periods beginning on or after 1 January 2009 |
| • Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| • IFRIC 15 'Agreements for the Construction of Real Estate' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| • IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' | Effective for annual reporting periods beginning on or after 1 October 2008 |

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 3 Critical accounting judgments and key sources of estimation uncertainty

**Critical judgments in applying the entity's accounting policies**

The following are the critical judgments (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the company's accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

Inventories

Note 10 sets out the categories of inventory carried. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less cost to sell. The key assumptions require the use of management judgment and are reviewed annually. These key assumptions are the variables affecting the estimated costs to sell and the expected selling price. Any reassessment of cost to sell or selling price in a particular year will affect the cost of goods sold.

Employee entitlements

Management judgment is applied in determining the following key assumptions used in the calculation of long service at balance date:

- Future increases in wages and salaries;
- Future on-cost rates; and
- Experience of employee departures and period of service.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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 property, plant and equipment

As described in note 2(h), the company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that the useful life of all classes of property, plant and equipment remained the same.

Fair value of derivatives and other financial instruments

As described in note 26, management uses its judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of assumptions used and of the end results of sensitivity analyses regarding these assumptions are provided in note 26.

## Note 4 Revenue

An analysis of the company's revenue for the year from continuing operations is as follows:

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Continuing and discontinued operations | | |
| Revenue from the sale of goods | 11,714 | 11,301 |
| Revenue from the provision of services | 149,276 | 139,361 |
| | 160,990 | 150,662 |
| Other revenue from operating activities | | |
| Interest | 2,816 | 1,082 |
| Rental | 663 | 642 |
| Tasmanian Government contribution to marketing | 2,394 | 2,950 |
| | 5,873 | 4,674 |
| Total revenue from ordinary activities | 166,863 | 155,336 |

## Note 5 Expenses from operations

| | | |
|---|---|---|
| Operations – General (Cost of sales) | 95,246 | 93,187 |
| Hotel services | 29,354 | 26,634 |
| Customer acquisition | 15,674 | 16,466 |
| Administration | 7,735 | 8,665 |
| | 52,763 | 51,765 |

## Note 6 Finance costs

| | | |
|---|---|---|
| Interest on loans | 5,161 | 6,809 |

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 7 Profit for the year before tax

#### (a) Gains and losses

Profit for the year has been arrived at after crediting the following gain:

| | | |
|---|---|---|
| Gain on disposal of property, plant and equipment | 5 | 5 |

#### (b) Other expenses

Profit for the year includes the following expenses:

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Finance costs | | |
| Interest on loans (Note 6) | 5,161 | 6,809 |
| Depreciation of: | | |
| Buildings, plant and equipment | 945 | 1,021 |
| Ships | 10,990 | 8,878 |
| Amortisation of: | | |
| Leasehold improvements | 531 | 517 |
| Major cyclical maintenance | 1,060 | 3,462 |
| Total depreciation and amortisation | 13,526 | 13,878 |
| Impairment losses recognised in receivables | 134 | - |
| Employee benefit expense: | | |
| Post-employment benefits | | |
| Defined contribution plans | 3,301 | 3,648 |
| Defined benefit plans | 31 | 657 |
| Termination benefits | 2,202 | 3,053 |
| Other employee benefits | 43,123 | 38,953 |
| | 48,657 | 46,311 |
| Operating lease rental expense – minimum lease payments | 3,978 | 3,942 |

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 8 Income taxes

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| **Recognised in the income statement** | | |
| Current tax expense | | |
| Current year tax expense/(benefit) | 2,224 | 2,830 |
| Adjustments for prior years | 24 | - |
| | 2,248 | 2,830 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences: | | |
| Increase/(Decrease) in deferred tax liability | 1,943 | (32) |
| Decrease/(Increase) in deferred tax asset | 66 | (1,463) |
| Recognition of temporary differences and tax equivalent losses | (7,091) | (7,263) |
| | (5,082) | (8,758) |
| Total income tax (benefit) in income statement | (2,834) | (5,928) |
| **Deferred tax expense recognised directly in equity** | | |
| Tax impact of revaluation of property, plant and equipment | 2,834 | 5,928 |
| **Tax benefits not recognised** | | |
| Deferred tax liability - revaluations | (15,117) | (10,340) |
| Deferred tax assets – revenue losses | 31,648 | 33,896 |
| Deferred tax assets – capital losses | 116 | 779 |
| Deferred tax assets – other | 5.402 | 4,805 |
| Net tax assets not recognised | 22,049 | 29,140 |

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Profit before tax | 13,698 | 4,712 |
| Prima facie tax expense at 30% | 4,109 | 1,414 |
| Non-deductible entertainment | 16 | 25 |
| Non-deductible capital losses | - | 3 |
| Other items | - | (107) |
| Under/over provided in prior years | 132 | - |
| Recognition of temporary differences and tax equivalent losses | (7,091) | (7,263) |
| | (2,834) | (5,928) |

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 9 Trade and other receivables

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Trade receivables (i) | 9,273 | 7,396 |
| Allowance for doubtful debts | (313) | (248) |
| | 8,960 | 7,148 |
| Goods and services tax recoverable | 261 | 187 |
| Other debtors | 3,053 | 5,124 |
| | 12,274 | 12,459 |

(i) The average credit period on sales of goods and rendering of services is 20 days. No interest is charged on trade receivables. Trade receivables over 60 days are provided for based on estimated irrecoverable amounts from the sale of goods and rendering of services, determined by reference to past default experience.

Before accepting any new customers, the company conducts credit and reference checks to assess the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers are reviewed annually.

| | 2008 | 2007 |
|---|---|---|
| Ageing of past due but not impaired | | |
| 60 – 90 days | 444 | 443 |
| 90 – 120 days | 19 | 72 |
| Total | 463 | 515 |

| | 2008 | 2007 |
|---|---|---|
| Movement in the allowance for doubtful debts | | |
| Balance at the beginning of the year | 248 | 298 |
| Impairment losses recognised on receivables | 134 | - |
| Amounts written off as uncollectible | (69) | (50) |
| Balance at the end of the year | 313 | 248 |

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

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 10 Inventories

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Shore stock at cost | 35 | 61 |
| Bunker fuel at cost | 1,594 | 990 |
| Maintenance stock at cost | 355 | - |
| Food and beverages at cost | 263 | 229 |
| | 2,247 | 1,280 |

### Note 11 Other assets

| | | |
|---|---|---|
| Major cyclical maintenance dry dock at cost | 1,060 | 4,522 |
| Amortisation | (1,060) | (3,462) |
| | - | 1,060 |
| Prepaid expenses | 451 | 562 |
| | 451 | 1,622 |

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 12 Property, plant and equipment

| | Leasehold improvements at cost $'000 | Plant and equipment at cost $'000 | Ships at fair value $'000 | Buildings at cost $'000 | Freehold land at cost $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | |
| **Balance at 1 July 2006** | **9,077** | **11,793** | **271,745** | **4,560** | **500** | **297,675** |
| Acquisitions (net of funds recovered) | 576 | 605 | 1,553 | 26 | - | 2,760 |
| Disposals | - | (473) | - | - | - | (473) |
| Transfers | 1,674 | (1,674) | - | - | - | - |
| Gross revaluation increment/ (decrement) | - | - | 10,883 | - | - | 10,883 |
| **Balance at 1 July 2007** | **11,327** | **10,251** | **284,181** | **4,586** | **500** | **310,845** |
| Acquisitions (net of funds recovered) | 384 | 860 | 5,634 | 129 | - | 7,007 |
| Major cyclical maintenance | | | 2,194 | | | 2,194 |
| Disposals | - | (204) | - | - | - | (204) |
| Transfers | - | - | - | - | - | - |
| Gross revaluation increment/ (decrement) | - | - | (1,543) | - | - | (1,543) |
| **Balance at 30 June 2008** | **11,711** | **10,907** | **290,466** | **4,715** | **500** | **318,299** |

| | Leasehold improvements at cost $'000 | Plant and equipment at cost $'000 | Ships at fair value $'000 | Buildings at cost $'000 | Freehold land at cost $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Accumulated depreciation/ amortisation and impairment** | | | | | | |
| **Balance at 1 July 2006** | **4,887** | **6,800** | **-** | **374** | **-** | **12,061** |
| Disposals | - | (350) | - | - | - | (350) |
| Transfers | (24) | 24 | - | - | - | - |
| Depreciation expense | 517 | 848 | 8,878 | 173 | - | 10,416 |
| Adjustments from revaluation increment/(decrement) | - | - | (8,878) | - | - | (8,878) |
| **Balance at 1 July 2007** | **5,380** | **7,322** | **-** | **547** | **-** | **13,249** |
| Disposals | - | (115) | - | - | - | (115) |
| Depreciation expense | 531 | 766 | 10,990 | 179 | - | 12,466 |
| Adjustments from revaluation increment/(decrement) | - | - | (10,990) | - | - | (10,990) |
| **Balance at 30 June 2008** | **5,911** | **7,973** | **-** | **726** | **-** | **14,610** |

## Note 12 Property, plant and equipment (continued)

| | Leasehold improvements at cost $'000 | Plant and equipment at cost $'000 | Ships at fair value $'000 | Buildings at cost $'000 | Freehold land at cost $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Net book value** | | | | | | |
| **As at 30 June 2007** | **5,947** | **2,929** | **284,181** | **4,039** | **500** | **297,596** |
| **As at 30 June 2008** | **5,800** | **2,934** | **290,466** | **3,989** | **500** | **303,689** |

**Revaluation adjustment**

An independent valuation of the company's vessels is sought annually from independent sources, being Mason Shipbrokers Limited and Simsonship AB. As the prevailing market for these types of ships is predominantly in Europe, the valuation is provided in Euros. The valuation in Euros of each vessel has remained constant at 90,000 thousand Euros between 2007 and 2008. The valuation in Australian dollars has increased due to changes in exchange rates between the Australian dollar and Euro which has resulted in the value of the ships being increased. As a result, the revaluation reserve has been increased by $6,613 thousand, net of tax.

If the ships (*Spirit of Tasmania I and II*) had been carried at cost, the carrying value would be $234,648 thousand.

## Note 13 Trade and other payables

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Trade payables (i) | 15,180 | 10,943 |

(i) The average credit period on purchases of goods and services is 30 days. The company has financial risk management policies in place to ensure all payables are paid within the credit timeframe.

## Note 14 Borrowings

| | 2008 | 2007 |
|---|---|---|
| **Current** | | |
| Secured Tasmanian Public Finance Corporation loans - guaranteed (i) (ii) | 25,000 | - |
| **Non-current** | | |
| Secured Tasmanian Public Finance Corporation loans – guaranteed (i) (ii) | 50,000 | 74,999 |
| | 75,000 | 74,999 |

(i) Pursuant to section 17 of the *TT-Line Arrangements Act 1993*, the Treasurer on behalf of the Tasmanian Government has provided a guarantee for the payment of loans to Tasmanian Public Finance Corporation.

(ii) The Tasmanian Public Finance Corporation holds a charge over the net receivables of TT-Line Company Pty Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Financial Year ended 30 June 2008

### Note 15 Provisions

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| **Current** | | |
| Workers compensation (i) | 1,350 | 1,119 |
| Liability for long service leave | 2,020 | 2,123 |
| Liability for annual leave | 3,812 | 3,460 |
| Defined Benefit Superannuation (note 17) | 261 | 137 |
| | 7,443 | 6,839 |
| **Non-current** | | |
| Liability for long service leave | 780 | 816 |
| Defined benefit superannuation (note 17) | 3,772 | 3,865 |
| | 4,552 | 4,681 |
| **Workers Compensation** | | |
| Balance at 1 July 2007 | 1,119 | |
| Additional provisions recognised | 486 | |
| Payments made | (255) | |
| Balance at 30 June 2008 | 1,350 | |

(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.

### Note 16 Other liabilities

| | | |
|---|---|---|
| Revenue received in advance | 8,102 | 7,704 |

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 17 Defined benefit superannuation plan

The company has employees who belong to the State of Tasmania's Retirement Benefits Fund. The fund provides defined benefits calculated on years of service and final average salary. No other post-retirement benefits are provided to those employees.

**Plan information**

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

**Key assumptions**

| Key assumptions as at balance date and for following year expense | | 30 June 2008 | 30 June 2007 |
|---|---|---|---|
| Discount rate: | | | |
| | *Gross of tax* | 6.60% | 6.00% |
| | *Net of tax* | 6.50% | 5.90% |
| Salary rate: | | 4.50% | 4.50% |
| Expected return on plan assets (net of tax) | | 7.00% | 7.00% |
| Inflation (pensions): | | 2.50% | 2.50% |
| Tax rate for employer contributions | | 14.36%[(1)] | 14.29% |
| Tax rate for discount rate | | 2.25% | 2.25% |
| Decrement rates | | As per the most recent actuarial investigation and report | As per the most recent actuarial investigation and report |

*Note 1: This tax rate is based on the estimated balance of pre-July 1988 Funding Credits balance as at 30 June 2008.*

The expected return on plan assets (net of tax) has been based on the expected long-term returns for each of the major asset classes in which the Plan invests.

**Plan assets**

| Asset disclosure | 30 June 2008 | 30 June 2007 |
|---|---|---|
| Australian equities | 25% | 30% |
| Overseas equities | 20% | 25% |
| Fixed interest securities | 12% | 20% |
| Property, infrastructure and alternative assets | 38% | 25% |
| Other | 7% | 0% |

*Note 1: Small differences may arise due to rounding.*

# NOTES TO THE FINANCIAL STATEMENTS

## For the Financial Year ended 30 June 2008

## Note 17 Defined benefit superannuation plan (continued)

### Balance sheet results as at 30 June 2008

| Net liability | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|
| Defined benefit obligation | 4,814 | 4,935 |
| Contributions tax liability | 579 | 572 |
| Total defined benefit obligations | 5,393 | 5,507 |
| RBF Contributory Scheme assets | (1, 360) (1) | (1,504) (2) |
| Deficit/(Surplus) | 4,034 | 4,002 |
| Unrecognised past service cost | - | - |
| Unrecognised net (gain)/loss | - | - |
| Net liability/(asset) | 4,034 | 4,002 |
| Current net liability | 261 | 137 |
| Non-current net liability | 3,772 | 3,865 |

*Note 1: Based on unaudited accounts as at 31 March 2008, rolled forward to 30 June 2008.*

*Note 2: Since issuing the 30 June 2007 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.2% higher than our estimated assets. This has not been adjusted for in the previous year's figures.*

*Small differences may occur in totals due to rounding of figures.*

### Funded status

| Defined benefit obligations | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|
| Funded(1) | 1,454 | 1,501 |
| Unfunded | 3,939 | 4,005 |
| Total | 5,393 | 5,506 |

*Note 1: The contributions tax liability has been included in the unfunded portion of the defined benefit obligation.*

### Movement in net liability

| Movements in Net Liabilities | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|
| Net liability/(asset) in balance sheet at end of prior year | 4,003 | 3,346 |
| Expense recognised in income statement | 80 | 706 |
| Actual employer contributions | (49) | (49) |
| Increases in liabilities due to foreign currency exchange | - | - |
| Increases in liabilities due to business combinations | - | - |
| Net liability/(asset) in balance sheet at end of year | 4,034 | 4,003 |

# NOTES TO THE FINANCIAL STATEMENTS

## For the Financial Year ended 30 June 2008

### Note 17 Defined benefit superannuation plan (continued)

**Profit and Loss results for year ending 30 June 2008**

| Expense: | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|
| Employer service cost | 128 | 138 |
| Contribution tax expense | 44 | 19 |
| Total employer service cost | 172 | 157 |
| Interest cost | 288 | 246 |
| Expected return on Plan assets | (105) | (89) |
| Recognised actuarial (gains)/losses | (276) | 391 |
| Recognised past service cost | - | - |
| Curtailment/settlement (gain)/loss | - | - |
| **Expense recognised:** | **80** | **706** |

**Reconciliations**

| Fair value of Plan assets: | | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|---|
| Fair value of Plan assets at end of prior year | 1 | 1,504 | 1,259 |
| Estimated employer contributions | 2 | 49 | 49 |
| Estimated contributions tax paid | 3 | - | - |
| Estimated participant contributions | 4 | 47 | 51 |
| Estimated operating costs | 5 | 15 | 13 |
| Estimated benefit payments | 6 | 97 | 70 |
| Foreign currency exchange rate assets | 7 | - | - |
| Business combination assets | 8 | - | - |
| Curtailments/settlement assets | 9 | - | - |
| Expected return on assets | 10 | 105 | 89 |
| Expected assets at year end | 11=1+2-3+4-5-6+7+8+9+10 | 1,592 | 1,364 |
| Actuarial gain/(loss) on assets | 12=13-11 | (232) | 140 |
| Fair value Plan assets at year end | 13 | 1,360[(1)] | 1,504[(2)] |
| Estimated actual return on Plan assets[(3)] | | (75) | 227 |

*Note 1: Based on unaudited accounts as at 31 March 2008, rolled forward to 30 June 2008.*

*Note 2: Since issuing the 30 June 2007 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.2% higher than our estimated assets. This has not been adjusted for in the previous year's figures.*

*Note 3: Fair value of Plan assets cannot be reconciled using the estimated figures shown in the table above, as a number of items such as net assets, operating costs and investment returns can only be estimated using the proportion of funded liabilities for each authority compared to that of the RBF Contributory Scheme as a whole.*

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 17 Defined benefit superannuation plan (continued)

**Defined benefit obligations inclusive of contributions tax for disclosure purposes**

| Total Defined Benefit Obligations (net discount rate) [1] | | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|---|
| Total defined benefit obligations at end of prior year | 14a | 5,507 | 4,605 |
| Employer service cost plus operating costs | 15a | 172 | 157 |
| Interest cost | 16 | 288 | 247 |
| Actual participant contributions | 17 | 47 | 51 |
| Actual operating costs (admin + insurance) | 18 | 15 | 13 |
| Actual benefit payments plus Contributions Tax | 19a | 97 | 69 |
| Foreign currency exchange rate liabilities | 20 | - | - |
| Business combinations liabilities | 21 | - | - |
| Curtailments/settlements liabilities | 22 | - | - |
| New past service costs | 23 | - | - |
| Expected Defined Benefit Obligations at year end | 24a=14a+15a+16+17-18-19a+20+21+22+23 | 5,902 | 4,976 |
| Actuarial (gain)/loss on liabilities | 25a | (509) | 531 |
| Actual Total defined benefit obligations at year end | 26a=24a+25a | 5,393 | 5,507 |

*Note 1: These figures include contributions tax.*

**Defined benefit obligations exclusive of contributions tax for reconciliation purposes**

| Defined Benefit Obligations (net discount rate) [1] | | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|---|
| Defined benefit obligations at end of prior year | 14 | 4,935 | 4,363 |
| Employer service cost plus operating costs | 15 | 128 | 138 |
| Interest cost | 16 | 288 | 247 |
| Actual participant contributions | 17 | 47 | 51 |
| Actual operating costs (admin + insurance) | 18 | 15 | 13 |
| Actual benefit payments | 19 | 97 | 70 |
| Foreign currency exchange rate liabilities | 20 | - | - |
| Business combinations liabilities | 21 | - | - |
| Curtailments/settlements liabilities | 22 | - | - |
| New past service costs | 23 | - | - |
| Expected defined benefit obligations at year end | 24=14+15+16+17-18-19+20+21+22+23 | 5,286 | 4,716 |
| Actuarial (gain)/loss on liabilities | 25 | (472) | 219 |
| Actual defined benefit obligations at year end | 26=24+25 | 4,814 | 4,935 |

*Note 1: These figures do not include contributions tax.*

## Note 17 Defined benefit superannuation plan (continued)

| Contributions Tax | | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|---|
| Defined benefit obligations at end of prior year | 27 | 4,935 | 4,363 |
| Fair value Plan assets at end of prior year | 28 | 1,504[1] | 1,259 |
| Net obligation | 29=27-28 | 3,431 | 3,104 |
| Contributions tax at end of prior year | 30 | 572 | 241 |
| Contributions tax expense | 31=32-30+3 | 44 | 19 |
| Actual contributions tax paid | 3 | - | - |
| Expected contributions tax at year end[3] | *32=(24-11) / (1-t(0)) times t(0)* | 616 | 260 |
| Actuarial (gain)/loss on contributions tax | 33=34-32 | (37) | 311 |
| Actual contributions tax at year end[3] | 34=(26-13) / (1-t(1)) times t(1) | 579 | 571 |

*Note 1: Since issuing the 30 June 2007 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.2% higher than our estimated assets. This has not been adjusted for in the previous year's figures.*

*Note 2: Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.6% higher than estimated assets. This has not been adjusted for in the previous year's figures.*

*Note3: t(0) is the tax rate for employer contributions as at 30 June 2007 or 14.29%, t(1) is the tax rate for employer contributions as at 30 June 2008 or 14.36%.*

| Reconciliation of Actuarial (gain) / loss: | | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|---|
| Unrecognised actuarial (gain)/loss at end of prior year | 35 | - | - |
| Actuarial (gain)/loss on assets | 12(a) = (12) | 232 | (140) |
| Actuarial (gain)/loss on liabilities | 25 | (472) | 219 |
| Actuarial (gain)/loss on Contributions Tax | 33 | (37) | 311 |
| Amount recognised during year in P&L | 36 | (276) | 391 |
| Immediate recognition gains/losses related to curtailment/settlement | 37 | - | - |
| Unrecognised actuarial (gain)/loss at end of year | 38=35+12(a)+25+33-36-37 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 17 Defined benefit superannuation plan (continued)

| Interest Cost: | | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|---|
| Defined benefit obligations at end of prior year (net discount rate) | 14 | 4,935 | 4,363 |
| Actual benefit payments | abp | 97 | 70 |
| Weighted for timing | 51=abp / 2 | 49 | 35 |
| Average benefit obligations | 52=14-51 | 4,887 | 4,328 |
| Discount rate | d | 5.90% | 5.70% |
| Calculated interest cost | 53=d times 52 | 288 | 247 |
| Interest cost used in calculation | | 288 | 247 |

| Expected Return on Assets: | | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|---|
| Fair value plan assets at end of prior year | 1 | 1,504[(1)] | 1,259[(2)] |
| Actual employer contributions | 2 | 49 | 49 |
| Weighted for timing | 54=2 / 2 | 24 | 25 |
| Actual contributions tax paid | 3 | - | - |
| Weighted for timing | 55=3 / 2 | - | - |
| Actual participant contributions | 4 | 47 | 51 |
| Weighted for timing | 56 =4 / 2 | 23 | 25 |
| Actual operating costs (admin + insurance) | 5 | 15 | 13 |
| Weighted for timing | 57=5 / 2 | 8 | 7 |
| Actual benefit payments | 6 | 97 | 70 |
| Weighted for timing | 58=6 / 2 | 49 | 35 |
| Average expected assets | 59=1+54-55+56-57-58 | 1,496 | 1,267 |
| Assumed rate of return | r | 7.00% | 7.00% |
| Calculated expected return on assets | 60=r times 59 | 105 | 89 |
| Expected return on assets used in calculation | | 105 | 89 |

*Note 1: Since issuing the 30 June 2007 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.2% higher than estimated assets. This has not been adjusted for in the previous year's figures.*

*Note 2: Since issuing the 30 June 2006 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.6% higher than estimated assets. This has not been adjusted for in the previous year's figures.*

## Note 17 Defined benefit superannuation plan (continued)

| Net liability / (asset) at year end | | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|---|
| Actual defined benefit obligations at year end | 26 | 4,814 | 4,935 |
| Actual contributions tax at year end | 34 | 579 | 572 |
| Total defined benefit obligation at year end | 61=26+34 | 5,393 | 5,507 |
| Actual assets at year end | 13(a)=(13) | (1,360) (1) | (1,504) (2) |
| Deficit/(Surplus) | 62=61+13(a) | 4,034 | 4,003 |
| Unrecognised past service cost | 50 | - | - |
| Unrecognised net (gain)/loss | b | - | - |
| Net liability/(asset) | 63=62-50-b | 4,034 | 4,003 |

*Note 1: Based on unaudited accounts as at 31 March 2008, rolled forward to 30 June 2008, and audited accounts as at 30 June 2007.*

*Note 2: Since issuing the 30 June 2007 report, audited accounts for the RBF Contributory Scheme have become available. The net assets in the audited accounts were 2.2% higher than estimated assets. This has not been adjusted for in the previous year's figures.*

| Actuarial gain/(loss) for year | | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|---|
| Defined benefit obligations (net of tax, prior year assumptions) | 64 | 5,186 | 4,804 |
| Contributions tax (prior year assumptions) | 65=(64-13)/(1-t0)*t0 | 638 | 256 |
| Defined benefit obligations (net of tax, current assumptions) | 26 | 4,814 | 4,935 |
| Actual contributions tax at year end | 34 | 579 | 572 |
| Actuarial (gain)/loss for year due to assumptions | 66=26+34-(64+65) | (430) | 446 |
| Actuarial (gain)/loss for year due to experience | 67=25+33-66 | (78) | 85 |
| Actuarial (gain)/loss on assets | 12(a) | 232 | (140) |
| Actuarial (gain)/loss for year | 68=66+67+12(a) | (276) | 391 |

### History

The amounts for the current annual reporting period and the previous two reporting periods, as required under paragraph 120(p) of AASB 119, are shown below.

| | 30 June 2008 $'000 | 30 June 2007 $'000 |
|---|---|---|
| Total defined benefit obligation at year end | 5,393 | 5,507 |
| Actual Assets at year end(1) | (1,360) | (1,504) |
| Deficit/(Surplus) | 4,034 | 4,003 |
| Experience adjustment on liabilities | (78) | 85 |
| Experience adjustment on assets | 232 | (140) |

*Note 1: Based on unaudited accounts rolled forward to 30 June. Where audited accounts for the RBF Contributory Scheme have subsequently become available, no adjustment has been made.*

## Note 17 Defined benefit superannuation plan (continued)

**Funding and contribution information**

The employer meets the cost of benefits as they emerge by paying a percentage of the benefit as it falls due, as defined in the Retirement Benefits Regulations 2005.

As at 30 June 2007, the present value of the total accrued benefits for the Contributory Scheme as a whole for the purposes of AAS 25, Financial Reporting by Superannuation Funds, was calculated to be $4,552.565 million.

| Liabilities for Accrued Benefits | 30 June 2007 $'000 |
|---|---|
| Liability for the Scheme as a whole | 4,552,565 |
| Net market value of Scheme assets | 1,649,341 |
| Surplus/(deficit) | (2,903,224) |

The economic assumptions used to calculate these figures were:

| Assumptions | Rate % p.a. |
|---|---|
| Discount rate | 7.0 |
| Salary inflation (inclusive of promotional increases) | 4.5 |
| Rate of compulsory preserved benefit increases (AWOTE) | 4.5 |
| Rate of pension increases (CPI) | 2.5 |

## Note 18 Issued capital

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| 328,981,230 (2007: 328,981,230) ordinary shares, fully paid | 328,981 | 306,481 |
| Equity contribution from owners during current year | - | 22,500 |
| Balance at year end | 328,981 | 328,981 |

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

## Note 19 Reserves

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Asset revaluation: | | |
| Balance at beginning of financial year | 15,187 | 10,405 |
| Revaluation increments | 9,447 | 19,761 |
| Deferred tax liability arising on revaluation (note 8) | (2,834) | (5,928) |
| Transferred to accumulated losses relating to realisation of revaluation upon sale | - | (9,051) |
| Balance at end of financial year | 21,800 | 15,187 |

The asset revaluation reserve arises on the revaluation of the ships (refer note 12). Where a revalued ship is sold, that portion of the asset revaluation reserve which relates to that asset is effectively realised, and is transferred directly to retained earnings.

## Note 20 Retained earnings

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Balance at beginning of financial year | (108,769) | (128,460) |
| Transferred from asset revaluation reserve | - | 9,051 |
| Profit for the year | 16,532 | 10,640 |
| Balance at end of financial year | (92,237) | (108,769) |

## Note 21 Commitments for expenditure

### (a) Capital expenditure commitments

Edgewater improvements

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Not longer than one year | 477 | - |

Ship improvements

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| Not longer than one year | 1,232 | 4,049 |

### (b) Lease commitments

Non-cancellable operating lease commitments are disclosed in note 22 to the financial statements.

## Note 22 Leases

**Operating leases**

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

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| **Non-cancellable operating lease payments** | | |
| Not longer than 1 year | 3,941 | 3,942 |
| Longer than 1 year but not longer than 5 years | 15,015 | 15,277 |
| Longer than 5 years | 18,365 | 21,819 |
| | 37,321 | 41,038 |

The company also acts as lessor with regard to the gaming and general stores on board the ships where these areas are leased to a specialist third party to operate.

## Note 23 Notes to the cash flow statement

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | 50,160 | 27,608 |

**(b) Financing facilities**

| | | |
|---|---|---|
| Operating loan facility with Tasmanian Public Finance Corporation, reviewed annually: | | |
| • amount used | (75,000) | (74,999) |
| • amount unused | (5,000) | (5,000) |

The company has access to financing facilities at reporting date as indicated above. The company expects to meet its other obligations from operating cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

## For the Financial Year ended 30 June 2008

### Note 23 Notes to the cash flow statement (continued)

**(c) Reconciliation of profit for the period to net cash flows from operating activities**

| | 2008<br>$'000 | 2007<br>$'000 |
|---|---|---|
| Profit for the year | 16,532 | 10,640 |
| Gain on sale of non-current assets | (5) | (5) |
| Depreciation | 11,935 | 9,899 |
| Amortisation – leasehold improvements | 531 | 3,979 |
| Discontinued operations | - | (7,725) |
| Major cyclical maintenance cost | - | (4,517) |
| Income tax benefit | (2,834) | (5,928) |
| Changes in net assets and liabilities: | | |
| (Increase)/decrease in assets: | | |
| Trade and other receivables | 185 | (1,214) |
| Inventories | (967) | 949 |
| Other assets | 1,171 | (17) |
| Increase/(decrease) in liabilities: | | |
| Trade and other payables | 4,239 | (1,192) |
| Revenue received in advance | 398 | (890) |
| Provisions | 475 | 1,199 |
| Net cash provided by operating activities | 31,660 | 5,178 |

## Note 24 Continuing operations

**Spirit of Tasmania I and II**

Since the decision was made to discontinue the Sydney service in June 2006, the company's primary focus has been on the operation of the Devonport to Melbourne service. This service has been classified as continuing operations.

The results of the continued operations are as follows;

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| **Profit from continuing operations:** | | |
| Revenue from the sale of goods | 11,714 | 10,837 |
| Revenue from the provision of services | 149,276 | 137,703 |
| | 160,990 | 148,540 |
| Other income | 5,878 | 4,679 |
| | 166,868 | 153,219 |
| Expenses | (153,170) | (147,938) |
| Profit before income tax and valuation decrement reversal | 13,698 | 5,281 |
| Income tax benefit | 2,834 | 5,928 |
| Profit for the year from continuing operations | 16,532 | 11,209 |

## Note 25 Discontinued operations

**Sale of Spirit of Tasmania III**

On 5 June 2006, the shareholders of TT-Line authorised the board to offer for sale the *Spirit of Tasmania III* ship. On 1 July 2006, a memorandum of agreement was signed between TT-Line Company Pty Ltd and the purchaser. The handover of the ship to its new owners occurred on 6 September 2006.

During the 2007 financial year TT-Line operated the ship on the Sydney service for 12 voyages. The detailed results from these voyages as disclosed as discontinued operations in the Income Statement are as follows:

| | | |
|---|---|---|
| Loss from discontinued operations: | | |
| Revenue from the sale of goods | - | 464 |
| Revenue from the provision of services | - | 1,658 |
| Other income | - | - |
| | - | 2,122 |
| Expenses (i) | - | (2,691) |
| Loss before income tax and valuation decrement reversal | - | (569) |
| Income tax benefit | - | - |
| Loss from discontinued operations | - | (569) |

(i) Included in 'Expenses' in 2007 is an amount of $1,132 thousand relating to a recovery of costs attributable to sale of *Spirit of Tasmania III*.

## Note 26 Financial instruments

### (a) Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The company's overall strategy remains unchanged from 2007.

The capital structure of the company consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in notes 18, 19 and 20 respectively.

Operating cash flows are used to maintain and expand the company's assets, as well as to make the routine outflows of tax and repayment of maturing debt.

**Gearing ratio**

The company's Board reviews the capital structure at each board meeting. As part of this review the company considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at year end was as follows:

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| **Financial assets** | | |
| Debt (i) | 75,000 | 74,999 |
| Cash and cash equivalents | (50,160) | (27,608) |
| Net debt | 24,840 | 47,391 |
| | | |
| Equity (ii) | 258,544 | 235,399 |
| Net debt to equity ratio | 10% | 20% |

(i) Debt is defined as long- and short-term borrowings, as detailed in note 14.

(ii) Equity includes all capital and reserves.

### (b) Categories of financial instruments

| | | |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables | 12,274 | 12,459 |
| Cash and cash equivalents | 50,160 | 27,608 |
| | | |
| **Financial liabilities** | | |
| Amortised cost | 90,180 | 85,942 |

At reporting date there are no significant concentrations of credit risk relating to loans and receivables at fair value through profit or loss. The carrying amount reflected above represents the company's maximum exposure to credit risk for such loans and receivables.

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 26 Financial instruments (continued)

**(c) Financial risk management objectives**

The company's treasury function provides services to the business, coordinates access to financial markets and manages the financial risks relating to the operations of the company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The company seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives as required is governed by the company's policies approved by the Board of directors. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports regularly to the Board of directors.

**(d) Foreign currency risk management**

The company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise during the course of normal operations.

**(e) Interest rate risk management**

The company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

The company's exposures 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 analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant:

- The company's net profit would increase by $263 thousand and decrease by $263 thousand (2007: increase by $263 thousand and decrease by $263 thousand). This is mainly attributable to the company's exposure to interest rates on its fixed rate borrowings.

**(f) Credit risk management**

Credit risk refers to the risk that a counterparty will default 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 continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee.

Trade accounts receivable consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

# NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year ended 30 June 2008

## Note 26 Financial instruments (continued)

The company does not have any significant credit risk to any single counterparty. The credit risk on liquid funds is limited because the counterparties are 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 account of the value of any collateral obtained.

**(g) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of directors, who have built an appropriate liquidity risk management framework for the management of 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 by continuously monitoring forecast and actual cash flows and matching the maturing profiles of financial assets and liabilities. Included in note 23(b) is a listing of undrawn facilities that the company has at its disposal to further reduce liquidity risk.

**Liquidity and interest risk tables**

The following tables detail the company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

# NOTES TO THE FINANCIAL STATEMENTS
## For the Financial Year ended 30 June 2008

### Note 26 Financial instruments (continued)

| 2008 | Floating interest rate $'000 | Fixed interest rate maturity: Less than 1 year $'000 | 1 -5 years $'000 | Greater than 5 year $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash | 50,038 | - | - | - | 122 | 50,160 |
| Receivables | - | - | - | - | 12,274 | 12,274 |
| | 50,038 | - | - | - | 12,396 | 62,434 |
| Weighted average interest rate | 6.13% | | | | | |
| Financial liabilities | | | | | | |
| Payables | - | - | - | - | 15,180 | 15,180 |
| Interest-bearing liabilities | - | 25,000 | 50,000 | - | - | 75,000 |
| | - | 25,000 | 50,000 | - | 15,180 | 90,180 |
| Weighted average interest rate | | 5.89% | 5.89% | | | |

| 2007 | Floating interest rate $'000 | Fixed interest rate maturity: Less than 1 year $'000 | 1 -5 years $'000 | Greater than 5 year $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash | 27,492 | - | - | - | 116 | 27,608 |
| Receivables | - | - | - | - | 12,459 | 12,459 |
| | 27,492 | - | - | - | 12,575 | 40,067 |
| Weighted average interest rate | 4.66% | | | | | |
| Financial liabilities | | | | | | |
| Payables | - | - | - | - | 10,943 | 10,943 |
| Interest-bearing liabilities | - | - | 74,999 | - | - | 74,999 |
| | - | - | 74,999 | - | 10,943 | 85,942 |
| Weighted average interest rate | | | 5.89% | | | |

## Note 26 Financial instruments (continued)

**(h) Fair value of financial instruments**

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- 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.

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Carrying amount $'000 | Fair value $'000 | Carrying amount $'000 | Fair value $'000 |
| Financial assets | | | | |
| Cash | 50,160 | 50,160 | 27,608 | 27,608 |
| Receivables | 12,274 | 12,274 | 12,459 | 12,459 |
| Financial liabilities | | | | |
| Payables | 15,180 | 15,180 | 10,943 | 10,943 |
| Interest-bearing liabilities | 75,000 | 74.132 | 74,999 | 74,252 |

## Note 27 Key management personnel compensation

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

| | Short-term benefits $ | Post-employment benefits $ | Other long-term benefits $ | Termination benefits $ | Share based payment $ | TOTAL $ |
|---|---|---|---|---|---|---|
| **2008** | 1,994,561 | 164,421 | (15,085) | - | - | 2,143,897 |
| **2007** | 1,826,762 | 167,561 | 24,621 | - | - | 2,018,944 |

## Note 28 Related party disclosures

**Transactions with key management personnel**

Apart from the details disclosed in this note, no director has entered into a material contract with the company and there were no material contracts involving directors' interests at the year end.

During the financial year the company gave $130,000 in sponsorships to the Tourism Industry Council Tasmania. Mr S Currant is the chairman of the Tourism Industry Council Tasmania for which he receives no remuneration. Mr P Simmons was a director of the Tourism Industry Council Tasmania for which he received no remuneration.

During the financial year, directors and their director-related entities purchased goods/services, which were domestic or trivial in nature, from the company on the same terms and conditions available to other employees.

Details of the key management personnel compensation are disclosed in note 27.

## Note 29 Remuneration of auditors

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| **Auditor of the company** | | |
| Audit of the financial report | 47,125 | 63,650 |

The auditor of TT-Line Company Pty Ltd is the Tasmanian Audit Office.

## Note 30 Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

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