TT-LINE COMPANY PTY LTD

ANNUAL REPORT

2015/16

SPIRIT OF TASMANIA *A trip to remember*

Company Vision

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

Company Mission

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

Business Objectives

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

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

Table of contents

Report from the Chairman

TT-Line Company Pty Ltd's after tax profit for the year ended 30 June 2016 was $18.8 million (2014/15: $1.2 million).

To give this result some context, it is the second highest profit after tax result achieved by the Company.

A combination of the refurbishment of the Spirit of Tasmania vessels, increased sailings and lower fares delivered record total revenue of $220.9 million.

It is also very pleasing to report that, for a 10th successive year, the company achieved an underlying profit - $18.7 million in 2015/16 (2014/15: $17.5 million).

The vessel valuation of 65 million euros each (an increase of three million euros per vessel from the 30 June 2015 valuation) reflects the cost of refurbishment. It also reflects an improved ferry resale market and reduced short-term new build capacity.

The number of sailings in 2015/16 increased by six per cent to 814 (2014/15: 767). This included an additional 45 day sailings following the refurbishment of the vessels.

Passenger numbers also increased in 2015/16, by nine per cent, to 418,831 (2014/15: 384,501). This was the highest number of passengers carried by the Company since 2004 and was achieved despite a number of adverse weather-related events.

Broadly speaking, the increase in passenger numbers was helped by an average passenger fare decrease.

As I have noted in previous Annual Report messages, our passenger numbers are very important to the State because of the money these visitors spend in Tasmania. In 2015/16 this figure was $506 million. This is, of course, on top of the direct and indirect spend of TT-Line Company in Tasmania (it used more than 300 Tasmanian suppliers, contractors and businesses in the reporting period).

Freight volumes fell compared to last year due to the weather related events, though it was still the second highest on record – 100,626 twenty-foot equivalent units (TEUs) compared to 102,309 TEUs.

While the Company's operational efficiency was impacted in the second half of the year by weather related events, they did not directly impact employee or passenger safety. This is a crucial point to make as safety is at the core of the business and is of critical importance to the Board.

In August 2015, the refurbishment of the vessels by Trimline, a UK-based turnkey contractor appointed by the Company to manage the project, was completed on time and on budget.

TT-Line and Trimline received the prestigious 2016 Shippax Ship Conversion award for its "impressive and successful" refurbishment work, largely supported by Tasmanian and Australian contractors.

The refurbished vessels are now more suited to day sailings, a fact confirmed by the 47 per cent increase in day sailing passengers in the reporting period.

Though I referenced it in the 2014/15 Annual Report, I think it is important to again note the outstanding work completed by Trimline, its sub-contractors and TT-Line staff on the refurbishment of the vessels.

TT-Line's partnership with the North Melbourne Football Club (NMFC) continued to be an important one for the Company, so much so that it was extended in June 2016 after the Board signed off on an additional three Hobart games a year for five years (2017 to 2021).

AFL games played at Blundstone Arena in Hobart have been well supported by patrons from around the state and, importantly, by interstate travellers.

The historic Friday night game between North Melbourne and Richmond was a sell-out and attracted strong prime

The TT-Line Board (from left) front row: Claire Filson, Chairman Michael Grainger, Suzanne Ewart; back row: Dr Jeffrey Hawkins, Rodney Chadwick AM, Bernard Dwyer, Robert Heazlewood.

time TV viewer numbers through Channel 7 and Foxtel in Victoria and nationally.

Other games have also been very well attended and attracted strong television audiences.

The value of this exposure in our key markets should not be underestimated. Similarly, the flow-on benefits to Tasmanian businesses and the community have also been an important consideration in the Board's decision to partner with the AFL and the NMFC.

I would like to thank Chief Executive Officer Bernard Dwyer, his management team and everyone at TT-Line for their outstanding collective work over the year in delivering a safe, high-quality passenger, passenger vehicle and freight service on Bass Strait.

To borrow a nautical term, they have kept the Company on an 'even keel' during some difficult circumstances, but have delivered an outstanding result for the Company and the state of Tasmania.

On behalf of all Directors, I would also like to acknowledge the significant and important contribution of outgoing Director Anthony Tobin. He joined the Board in 2005 and was a member of the Audit and Risk Committee until his retirement in November 2015. His wise counsel and extensive experience will be missed.

The Board welcomed Claire Filson as a new non-executive Director in November 2015. She is a highly skilled Director whose qualifications and experience in law, management and corporate governance will be valuable attributes during Board deliberations. I look forward to working with Claire in 2016/17.

In closing, I would like to acknowledge the contribution of my fellow Directors for their hard work and guidance over the year. The results reported on in this document are testimony to their commitment.

Finally, I would like to thank our shareholder ministers – the Minister for Infrastructure, Rene Hidding, and the Treasurer, Peter Gutwein – for their strong support of the Company during the year. I look forward to continuing to work with them in 2016/17.

Michael Grainger
Chairman

Spirit of Tasmania Leadership Team (from left) front row: Kylie Holandsjo, Bernard Dwyer, Stuart McCall, Tim Harlow; back row: Patrick Guarino, Erika Rojas, John McGrath, Kevin Maynard, Miranda Foster, Nick Harriman; absent: Stuart Michael.

Report from the Chief Executive Officer

It is very pleasing to be able to report that passenger numbers increased by nine per cent in 2015/16, building on an eight per cent increase recorded in 2014/15.

This is an excellent result over two financial years.

The increase in passenger numbers is thanks to a number of factors – the efforts of our hard working crew and staff, our refreshed brand and marketing campaigns targeting more cost-effective communication channels, additional day sailings following the refurbishment of Spirit of Tasmania I and Spirit of Tasmania II and a 13 per cent decrease in passenger fares in real terms.

TT-Line is very proud of its highly rated customer service as evidenced by the results of our passenger surveys conducted with every sailing. We continue to focus on our passengers and providing them with a seamless experience all year round.

The conclusion of the refurbishment project in August 2015 – on time and under budget – was also a clear highlight of the reporting period.

The work was designed to enhance the passenger experience, particularly for those travelling by day. This has clearly been achieved as shown by passenger feedback and a 47 per cent increase in passengers carried on day sailings.

In conjunction with the refurbishment, we upgraded our internet booking platform and website. This has facilitated a much easier online booking process for our valued passengers.

The Company and UK-based Trimline were awarded the 2016 Shippax Award for the delivery of the highly-complex refurbishment of our vessels. This award recognises the work as being the best in the international shipping community.

The award also recognised the efforts of staff and contractors through the life of the project from concept to completion.

The Company was particularly pleased that 20 Tasmanian-based contracting businesses were commissioned by Trimline to work on the project, delivering the highest quality of marine interior fitout.

As noted in the Chairman's message, freight volumes fell from the record achieved last year, largely due to the closure of the Port of Devonport following the devastating floods that impacted the north west coast late in the 2015/16 financial year.

Spirit people

In his Annual Report message, Chairman Michael Grainger congratulated everyone at TT-Line for their "...outstanding collective work over the year in delivering a safe, high-quality passenger, passenger vehicle and freight service on Bass Strait."

Spirit of Tasmania is strongly of the view that its people are its most valuable asset.

The Company is committed to passenger and employee safety – with particular focus on injury prevention.

The injury prevention program – called Lookout – continued in 2015/16. This year employees were exposed to a range of relevant new programs including manual handling, strength and conditioning, and mental health and wellbeing.

The Company also continued its training in appropriate workplace behaviour.

The program reinforces the Company's commitment to creating and maintaining a working environment that is safe, fair, comfortable and free from all forms of inappropriate behaviour.

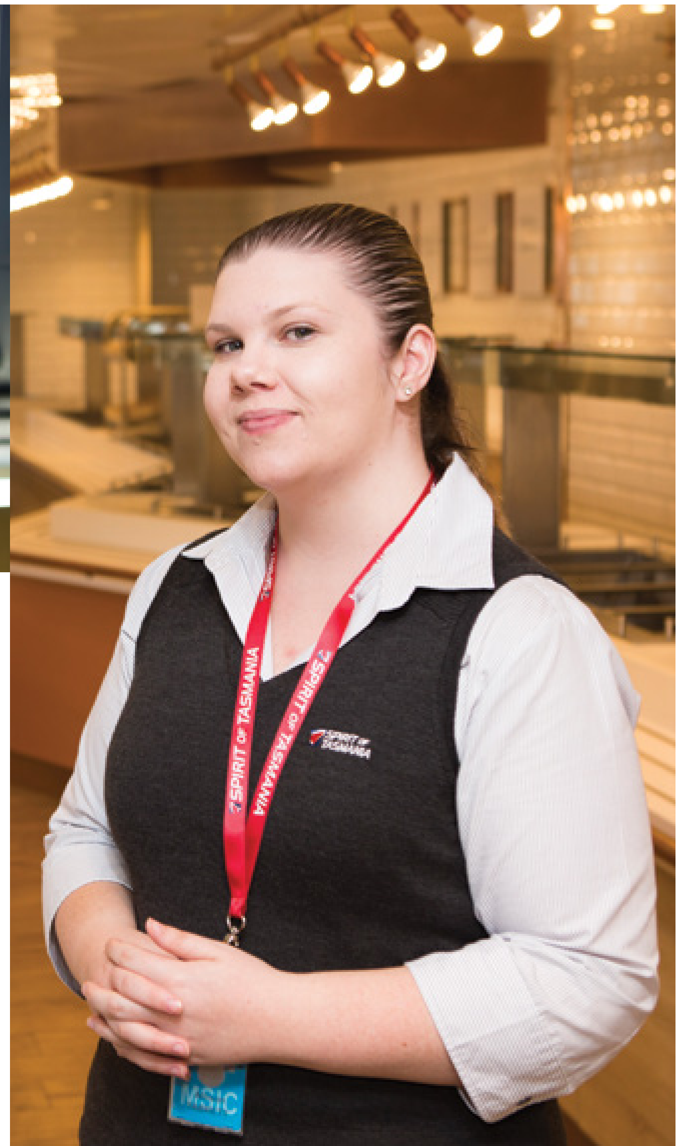
As a result of an excellent safety record and significant lost-time injury-free periods, the Company made various donations to Tasmanian charities and worthwhile organisations as part of its Community Spirit program.

Under the program, the Company's safety committees are able to donate funds to charitable organisations each time an injury-free milestone is passed.

Organisations that benefited included the Heart Foundation Tasmania, Camp Quality Tasmania, the north west coast Cancer Fighting Fund, Run for Kids, Gran's Van, Giant Steps, Sailability and the Tasmanian flood relief appeal. Donations totalled $12,150.

The Company commenced discussions to renew its collective agreements during the year.

From left to right (clockwise): Captain Mark Davis, Allison Tabrett, Deanna Clarke and Kylie Holandsjo



Community support

TT-Line is a strong supporter of Tasmanian-based organisations and businesses.

The Company provided substantial funding support to the Tourism Industry Council Tasmania, including sponsorship of its 2016 Tasmanian Tourism Conference.

The Company's Sponsorship Committee evaluates hundreds of requests for sponsorship each year from local and national charities and businesses seeking contra travel to deliver various events in Tasmania or to participate in activities on mainland Australia.

In the reporting period, Spirit of Tasmania donated approximately $89,000 worth of contra travel to community-based causes and initiatives to assist with the delivery of events in Tasmania.

Organisations that benefited from this support included the Devonport Triathlon, Riding for the Disabled, Dementia Friendly Snug, Baskerville, Barnbougle Polo, the Devonport Motor Show, Box Rallies (supporting Cancer Council), What's Up Downunder charity convoy (raising money for the National Breast Cancer Foundation) and CareFlight Australia.

The Sponsorship Committee also allocated nearly $13,500 worth of gift vouchers and return travel prizes to local and national charities and business in the reporting period. More than $7,800 in gift vouchers and return travel prizes was donated to Tasmanian charities and businesses including the north west coast Cancer Fighting Fund, Cancer Council Tasmania's Think Pink Ball, Seconds Count Gala Ball, the University of Tasmania's Menzies Institute for Medical Research, Brand Tasmania, Doxa Foundation through the Maritime Museum, and Cystic Fibrosis Tasmania.

To coincide with the launch of the refurbishment of the Spirit of Tasmania vessels, a charity auction of the original furniture from both ships was held in September 2015. This raised more than $23,000 for Tasmanian charities including Lifeline, Cancer Council Tasmania, Australian Red Cross and The Heart Foundation.

To raise awareness for and show support of Movember 2015 (during the month of November), a giant moustache decal was installed on the bow of Spirit of Tasmania II. All TT-Line employees were invited to join the Spirit of Tasmania Movember team by fundraising for the global men's health movement. Our Movember team raised more than $5,500 for the cause.

Spirit of Tasmania and the Maritime Union of Australia hosted their third charity luncheon to support White Ribbon Day (25 November). They raised more than $50,000 for White Ribbon Australia, Australia's only national, male-led prevention campaign to end men's violence against women.

The Company supported the North Melbourne Football Club in delivering the club's Community Camp and Super Clinics in Tasmania, which were attended by approximately 200 primary school students, and the annual Family Day in North Melbourne, which attracted approximately 4,000 people.

Brand

Spirit of Tasmania is a customer centric business and one of our key objectives is to deliver on our brand promise of 'exceptional passenger service'. This focus ensures our passengers enjoy a positive experience from the moment they book their sailing to the moment they disembark at their destination.

Extensive independent brand research by market research agency Hall & Partners Open Mind was undertaken in December 2015 to measure the performance of the Spirit of Tasmania brand and how it measures up against those of competitors.

The research found that overall brand engagement was positive, with an average brand engager score of 103 (a score above 100 means consumers are connecting with the brand and that brand health is strong).

The survey found Spirit of Tasmania was well recognised across its primary markets in Tasmania, Victoria and southern New South Wales.

It also showed strong recognition in "outer markets" though no mainstream advertising is broadcast or published in those states.

Spirit of Tasmania is highly dominant as the top-of-mind brand for Bass Strait travel compared with the airlines – 38 per cent of survey respondents mentioned Spirit of Tasmania. The next closest brand was mentioned by 29 per cent of respondents.

Spirit of Tasmania continues to remain the leader amongst its competitors on a range of brand attributes including:

- Fun way to travel – 41 per cent.
- Unique travel experience – 39 per cent.
- Relaxing / stress free way of travelling – 34 per cent.
- Take everything you need – 31 per cent.

The research also found that interstate customers 'love driving holidays', 'enjoy taking their own cars' and 'enjoyed the experience of sea travel'.

Spirit of Tasmania's retail campaigns are targeted to the self-drive market with specific emphasis placed on families.

In addition, the vessel refurbishment work was prominently recalled by respondents.

Safety and reliability

Safety and reliability remain a top priority for Spirit of Tasmania, especially given the unique position the vessels hold as critical infrastructure for the state of Tasmania.

TT-Line's Marine Operations Department is charged with all aspects of the vessels' conditioning, service viability and safety and reliability. It offers many unique roles, both ashore and aboard.

Shore managers are predominantly personnel who have spent many years at sea and have collectively sailed virtually all of the world's major sea lanes.

Other critical roles ashore ensure governance of the ships' Safety Management System and timely supply of the thousands of items that keep complex vessels running on a daily basis.

Seagoing staff include the Master, Chief Engineer, Navigating Officers, Engineering Officers and Electrical Engineering Officers. The vessels' Integrated Ratings, Shipwrights, Medical Attendants, Chief Pursers and Ferry Security Officers round out a diversified workforce.

All seagoing personnel have day-to-day responsibilities that are dominated by the need to ensure safe passage between Tasmania and Melbourne.

More than 50 per cent of Marine Operations' work is behind the scenes and continues around the clock, 365 days a year. The team's work is to ensure full, on-board service offerings are maintained, that machinery is capable of keeping up with the demands of a summer sailing schedule and that the vessels comply with all regulatory requirements applied to passenger vessels.

A large part of ensuring ongoing reliability and the overall condition of the vessels occurs during the annual dry dock inspections at Garden Island in Sydney. This is the only dock in Australia large enough to accept the Spirit of Tasmania vessels.

TT-Line has a long established and good working relationship with this dockyard and its management.

In 2015/16 Spirit of Tasmania I was dry-docked. In an 18-day period, the vessel underwent thorough washing and surface preparation before having 7,560 litres of paint applied. Heavy machinery was overhauled, propellers and underwater thrusters were attended and this year one rudder was removed to install a new seal for the first time in the ship's history.

In addition, the starboard stabiliser fin was replaced, the ship's Fast Rescue Craft was replaced with a more modern design and various air conditioning upgrades were completed.

Environment

In 2015/16, TT-Line completed reporting under the Federal Government's National Greenhouse and Energy Reporting Act 2007 (NGER), for the 2014/15 year.

The Company's report under NGER was submitted to the appropriate Federal Government department within the required deadline of 31 October 2015.

TT-Line will report on its 2015/16 NGER data by 31 October 2016.

Retail and hospitality

The 2015/16 financial year saw significant change in many aspects of the passenger experience on board Spirit of Tasmania I and II following the extensive refurbishment of the vessels.

As a result, the refurbished ships now offer more opportunities for passengers to move between decks and experience different options.

A new food and beverage menu was also launched and a "refreshed" uniform was unveiled for all crew.

A playground, video gaming and redesigned seating areas were installed in the Top Deck Lounge (Deck 10) to offer comfort and space for passengers on both night and day sailings.

On Deck 9 the Terrace Lounge Bar now offers live Tasmanian entertainment and new food offerings and a revamped arcade-style game area.

The Tasmanian Market Kitchen (TMK) on Deck 7 specialises in Tasmanian food and beverage products. The Pantry, also on Deck 7, offers sandwiches and snacks and a selection of Tasmanian confectionaries, beverages and souvenirs.

A newly created Flavours of Tassie area that allows local producers to showcase their products to passengers was also introduced in 2015/16.

New Flavours of Tassie producers were added to the list of 36 existing suppliers in 2015/16 including Little River Brewing Co. Tassie Taste Buds, Wellington Apiary, Bodhi Farm Organics, Brook Eden Vineyard, Australian Honey products, McHenry & Sons Distillery.

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

Media streaming was offered to passengers to view television programs on web enabled devices.

Training continued to be a key activity for Retail and Hospitality team members. The training program "Discovery Series" focused on aspects of service mindset, actions and discovering experiences on the journey.

Hazard Analysis Critical Control Point (HACCP) food safety modules have continued during the year for the galley team.

During the year, Tasmanian-based Creature Tales continued to be the lead organisation contracted to produce Tasmanian themed entertainment and educational service for the enjoyment of adults and children on board.

Entertainment on day sailings also includes musicians, face-painters, artists and school holiday programs.

In December 2015, as part of the locally-produced education program, six art works were speed-painted by Tasmanian artist Bill Flowers during day sailings. These were donated to the Lions Club of Devonport who donated these to deserving local schools.

Marketing

The 2015/16 financial year was a successful period for the Company's marketing team whose efforts focused on the refurbishment of Spirit of Tasmania I and II and the launch of the Company's new website and Internet Booking Platform (IBP).

The extensive work undertaken to promote the refurbished vessels included:

- Sneak peek videos and behind the scenes footage of the refurbished ships.
- A dedicated 'Discover the New Spirit of Tasmania' microsite.
- Extensive advertising campaigns promoting The New Spirit of Tasmania.
- Media launches in Melbourne and Devonport.
- Open days in Melbourne and Devonport.
- A charity auction of original Spirit of Tasmania furniture that raised more than $23,000 for Tasmanian charities.

The Company's new website and IBP went live in August 2015 and have delivered a record number of website visits and bookings. Website visitation increased by 13 per cent over the previous year, while website bookings increased by 14 per cent.

The 2015/16 marketing schedule comprised nine mainstream campaigns across television, radio, press, cinema and outdoor billboards over 33 weeks of the year.

The mainstream campaigns were supported by digital advertising running across all 52 weeks of the year.

In 2015/16, nearly 70 per cent of passengers came from mainland Australia – 40 per cent from Victoria, 14 per cent from New South Wales and six per cent from Queensland.

Nearly 90 per cent of passengers travelled with a vehicle.

In 2015/16, surveys distributed to Loyalty Program members 24 hours after their sailing revealed 'holiday' was the main reason for travel; more than 60 per cent of respondents intend to travel again 'within the next 12 months'; 'taking the car' (94 per cent) was the biggest motivator for sailing over flying, followed by 'no luggage restrictions' (49 per cent).

Spirit of Tasmania continued to work closely with Tourism Tasmania maximise Tasmania's tourism potential. In January 2016 we launched a co-branded campaign "Tasmania's Must-Dos" that showcased 10 of the State's must-do attractions and experiences.

Spirit of Tasmania's annual travel guide was launched in June 2016–a downloadable e-guide called Tasmania: "On the Road". The e-guide featured five regions with relevant driving itineraries, maps, videos, images and travel tips. Spirit of Tasmania social media interactions increased across all platforms in 2015/16. Facebook likes increased by two per cent to 61,467, Twitter followers by 11 per cent, YouTube subscribers by 26 per cent, Instagram followers by 67 per cent and Pinterest followers by three per cent.

Public Interest Disclosure

Hard copies of TT-Line's Public Interest Disclosure Policy can be obtained by contacting the General Manager Corporate Services.

During the year ended 30 June 2016 the Company received no disclosures under its Public Interest Disclosure Policy. Therefore there were no disclosures that were determined to be public interest disclosures.

Due to this, there were no disclosures that were required to be investigated and no disclosures referred to the Ombudsman for investigation.

There were also no investigations of disclosed matters taken over by the Ombudsman during the year ended 30 June 2016.

Bernard Dwyer
CEO

Ship facts

OWNER TT-LINE COMPANY PTY LTD BUILDER KVAERNER MASA-YARDS FINLAND
SHIP TYPE RO/RO PASSENGER V/L CLASS AMERICAN BUREAU OF SHIPPING

YEAR BUILT 1998
FIRST TT-LINE COMMERCIAL CROSSING 1 SEPT 2002

OVERALL LENGTH
194.33M

GROSS TONNAGE
29,338

DEAD WEIGHT
5,651T

ENGINES 4X SULZER V16 TWIN TURBO-CHARGED DIESELS.
10,560KW EACH
TWIN VARIABLE PITCH PROPELLERS VIA REDUCTION GEARBOXES 510/147 RPM

CAPACITY

121
1400
500
222

- 59 TWIN BED PORTHOLE CABINS
- 72 FOUR BED PORTHOLE CABINS
- 8 DELUXE CABINS
- 222 TOTAL CABINS
- 121 RECLINERS
- 81 TWIN BED/FOUR BED INSIDE CABINS
- 2 WHEELCHAIR ACCESSIBLE CABINS
- LICENSED TO CARRY 1400 PASSENGERS AND 500 STANDARD VEHICLES

SPEED, TIME & DISTANCE

AVERAGE SPEED IN KNOTS 27
EQUALS 50 KM/HR

CROSSING TIME (HRS)
9-11

DISTANCE FROM MELBOURNE TO DEVONPORT
429KM
232 NAUTICAL MILES

EXPLANATION OF THE NUMBERS STATEMENT[1]

FOR THE YEAR ENDED 30 JUNE 2016

	2016 $'000	2015 $'000
Revenue from operations[2]		
Spirit of Tasmania	216,930	204,112
Other revenue	1,982	1,940
	218,912	**206,052**
Expenses from operations[2]		
Spirit of Tasmania	(182,980)	(172,913)
Other expenses	(1,943)	(1,860)
	(184,923)	(174,773)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**33,989**	**31,280**
Depreciation and amortisation		
Spirit of Tasmania	(17,466)	(16,313)
Other	(69)	(75)
	(17,535)	(16,388)
Earnings before interest and tax (EBIT)	**16,454**	**14,892**
Interest expense	(363)	(330)
Interest income	2,573	2,930
Underlying profit	**18,664**	**17,492**
Represented as follows:		
Spirit of Tasmania	18,694	17,487
Other	(30)	5
Underlying profit	**18,664**	**17,492**
Reconciliation to audited profit/(loss) for the period		
Underlying profit	18,664	17,492
Accounting adjustments		
Revaluation of asset adjustment	8,271	(15,820)
Taxation (expense)	(8,090)	(517)
Profit for the period – audited	**18,845**	**1,155**

1. The Explanation of the Numbers Statement is unaudited.
2. Includes revenue and expenses from internal operations.

Annual Financial Report

FOR THE YEAR ENDED 30 JUNE 2016

ABN 39 061 996 174

Contents

CORPORATE GOVERNANCE

While TT-Line Company Pty Ltd (TT-Line or the Company) is not a listed company, it has adopted, where applicable, practices that comply with the relevant sections of the Australian Securities Exchange (ASX) *Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition)*, including eight principles central to good corporate governance.

The Company's practices in relation to these eight principles are as follows:

1. Lay solid foundations for management and oversight

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

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

Accordingly, the Board is responsible for:

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

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

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

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

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

The committees, as at the reporting date, were:

- Audit and Risk – responsible for compliance with legal and regulatory obligations, the integrity of financial reporting, oversight of external and internal audits, and the effectiveness of internal control and risk frameworks
- Remuneration – responsible for determining the policy for senior executive remuneration and incentives, and for ensuring that the Company's remuneration policies and practices are fair and competitive
- Director Nomination – responsible for ensuring that a suitable process is in place to meet the recruitment requirements of the Board

- Vessel Replacement and Procurement – responsible for the replacement and procurement of the Company's vessels.

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

The CEO and the Chief Financial Officer (CFO) report to the Board at each Board meeting. In addition to regular reporting from management, the Board has unlimited access to senior management as well as external advisors. The division of roles and responsibilities is illustrated in the diagram below.

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

Corporate Governance Framework

TT-Line Board

Committees	Audit and Risk Committee	Remuneration Committee	Director Nomination Committee	Vessel Replacement and Procurement Committee
Scope	Financial reporting, regulatory obligations, internal and external audit and risk management framework	Remuneration policies and practices	Board renewal and committee membership	Vessel replacement and procurement
Members	S Ewart (Chair) R Chadwick, AM C Filson M Grainger	R Chadwick, AM (Chair) S Ewart M Grainger	M Grainger (Chair) R Chadwick, AM B Dwyer S Ewart C Filson J Hawkins R Heazlewood	M Grainger (Chair) S Ewart

Chief Executive Officer

The CEO has the powers of the TT-Line Board within delegated limits for all matters, except those delegated to Board committees, or those reserved for the Board in the Board Charter or TT-Line's Delegation of Authority Framework.

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 Company's two shareholders: the Tasmanian Government's Treasurer and the Minister for Infrastructure. Directors are appointed according to the *Guidelines for Tasmanian Government Businesses – Board Appointments*.

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

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

The Chairman and other non-executive Directors are independent Directors.

The Board's performance is reviewed annually.

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

3. Act ethically and responsibly

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

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

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

4. Safeguard integrity in corporate reporting

The Board has established an Audit and Risk Committee. This committee has a formal Charter that is reviewed by the Board.

The Committee comprises four members, all of whom are independent non-executive Directors. The Committee is chaired by an independent Director who is not the Chairman of the Board.

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

5. Make timely and balanced disclosure

The Company is not a listed company; therefore, it is not obliged to report to the ASX.

6. Respect the rights of security holders

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

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

7. Recognise and manage risk

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

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

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

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

- International Standard ISO 31000 – Risk Management
- Australian Standard AS 3806 (Compliance programs).

The Company has identified the following potential economic and environmental risks:

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

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

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

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

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

8. Remunerate fairly and responsibly

The Remuneration Committee is responsible for reviewing and approving changes to the senior executive team's remuneration policies and incentive programs.

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

The Company has a Board-endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance guidelines for director and executive remuneration dated October 2015.

Directors' fees are set by the Tasmanian Government.

The Board conducts a formal review of the CEO's performance annually, and the CEO conducts formal performance appraisals of all direct-reporting senior executive team members annually.

DIRECTORS' REPORT

The Directors of TT-Line submit herewith the annual financial report of the Company for the financial year ended 30 June 2016. The Directors report the following in compliance with the provisions of the *Corporations Act 2001* (Cth).

Information about the Directors

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

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

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

Ms Suzanne Ewart Ms Ewart joined the Board in June 2014 as a non-executive Director and was appointed Chairperson of the Audit and Risk Committee in August 2014. Ms Ewart is also a member of the Vessel Replacement and Procurement Committee and the Remuneration Committee. Ms Ewart is a Director of the Peter MacCallum Cancer Centre and Foundation and Chairperson of its Finance Committee; Chairperson of Cell Therapies Pty Ltd and a member of its Audit and Risk Committee and others. Ms Ewart is also a Director of the Treasury Corporation of Victoria and Chairperson of its Audit Committee. Ms Ewart was Chairperson of the Box Hill Institute Board until 30 June, 2016.

Ms Claire Filson Ms Filson joined the Board in November 2015 as a non-executive Director and is a member of the Audit and Risk Committee. Ms Filson is also a Director of Moorebank Intermodal Company, Deputy Chairperson of the Port of Hastings Development Authority and a Director of the Box Hill Institute. She is also an independent member or Chairperson of three local council audit committees.

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

Mr Robert Heazlewood Mr Heazlewood joined the Board in 2012 as a non-executive Director. He is the Executive Director of the Brand Tasmania Council and a Director of the Tasmanian Fruit and Nut Industry's Research, Development and Extension Trust Fund, and was a Board member of Wide Angle Tasmania until March 2016.

Mr Anthony Tobin Mr Tobin joined the Board in 2005 as a non-executive Director and was a member of the Audit and Risk Committee until his retirement in November 2015. He is a founding partner of Gilbert + Tobin lawyers and holds a number of directorships in the private and public sectors.

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

The previously mentioned Directors held office during the entire financial year and since the end of financial year except for:

- Mr Anthony Tobin – retired November 2015
- Ms Claire Filson – appointed November 2015.

Remuneration of Directors and senior executives

Information about the remuneration of Directors and key management personnel is set out in note C2: 'Director and key management personnel compensation'.

Principal activities

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

Review of operations

The Company reported total revenue of $220.9 million (2015: $208.6 million) and a profit for the year ended 30 June 2016 of $18.8 million (2015: $1.2 million).

The 2015/16 financial year represented the second year of the Company's new strategic plan. The strategy included objectives to:

- operate safely
- undertake a comprehensive refurbishment of all passenger areas on both Spirit of Tasmania vessels
- add more day sailings to provide additional capacity for passengers
- lower average passenger fares by 14.8 per cent in real terms over four years
- maintain the Company's current freight service.

Workplace and ship safety are at the core of the business and, aligned with a rigorous ship maintenance program, support the Company as a safe and reliable provider of short sea voyages. The Company's safety record was tested during the year with a number of weather-related incidents that impacted the operational efficiency of the Company in the second half of the year but did not directly impact staff or customer safety. Learnings from these incidents will contribute to improving the Company's safety systems through a continuous improvement focus.

Refurbishment of the vessels was completed on time and on budget in August 2015, delivering a standard more suitable for day sailings. The refurbishment's success was recognised through a 47 per cent increase in the number of passengers on day sailings. The Company also won the 2016 Shippax Ship Conversion Award.

The cost of the refurbishment was reflected in the valuation of the vessels at 30 June 2016 of 65 million euros each, an increase of three million euros per vessel from the 30 June 2015 valuation. This also reflects an improved ferry resale market and reduced short-term new-build capacity. Notwithstanding the valuation increase, the vessels are depreciating assets and normally a reduction in value can be expected each year.

The number of sailings increased by six per cent over the prior year to 814 (2015: 767), including an additional 45 day sailings. During the year 418,831 passengers travelled with the Company, an increase of nine per cent over the prior year (2015: 384,501) and the highest number of passengers travelled since 2004. This record passenger number was achieved despite the adverse effect of weather-related events.

The increase in passenger numbers was also assisted by an average passenger fare decrease in real terms of five per cent[1]. Since the new strategy was implemented the average passenger fare has decreased 13 per cent in real terms[1], which has been realised through the removal of the carbon tax surcharge, more lower-cost day sailings and promotional fares.

Freight volumes were the second highest on record, at 100,626 twenty-foot equivalent units (TEUs) (2015:102,309). Freight volumes were also negatively affected by the weather-related events.

Significant freight volume improvement is difficult as the vessels operate at capacity for the majority of high demand periods. The preference for freight volumes to travel on night sailings to allow integration with wider logistics chains restricts growth prospects in this area and the strategy of additional day sailings is unlikely to materially increase freight volumes carried on the vessels. The anticipated addition of competitor capacity in 2016/17 will also increase the difficulty in continuing to grow this revenue.

The effect of the new strategy through the refurbishment of the vessels, increased sailings and lower fares delivered record total revenue of $220.9 million. This record revenue, combined with strong cost control, also delivered the Company's second-highest profit after tax of $18.8 million.

1. In comparable terms relative to the 14.8 per cent referenced in the strategy.

Subsequent events

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

Future developments

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

Environmental regulations

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

Dividends

No dividends have been paid or declared since the start of the 2015/16 financial year.

Indemnification and insurance of officers and auditors

The Company has paid insurance premiums for the year of $36,000 in respect of Directors' and officers' liability, for current and former Directors of the Company.

The insurance premiums relate to:

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

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

International travel

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

International travel in the year ended 30 June 2016

Position	Number of trips	Cost of travel
		$'000
Directors	1	16
CEO	2	39
Employees	3	59

Auditor's independence declaration

The auditor's independence declaration is included in this financial report.

Rounding off

The Company is of the kind referred to in Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/91. In accordance with that instrument, amounts in the Directors' report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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

Directors' meetings

The following table sets out the number of Directors' meetings, including meetings of Directors' committees, held during the financial year, and the number of meetings each Director attended while they were a Director or committee member. During the financial year, the Company held 11 Board meetings, five Audit and Risk Committee meetings, two Remuneration Committee meetings, one Vessel Replacement and Procurement Committee meeting and one Director Nomination Committee meeting.

	Board		Audit and Risk Committee		Remuneration Committee		Vessel Replacement and Procurement Committee		Director Nomination Committee	
Director	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Mr M Grainger	11	11	5	5	2	2	1	1	1	1
Mr R Chadwick, AM	11	11	4	5	2	2	–	–	1	1
Ms S Ewart	11	11	5	5	2	2	1	1	1	1
Ms C Filson	6	6	2	2	–	–	–	–	–	–
Dr J Hawkins	9	11	–	–	–	–	–	–	1	1
Mr R Heazlewood	9	11	–	–	–	–	–	–	1	1
Mr A Tobin	4	5	3	3	–	–	–	–	1	1
Mr B Dwyer	11	11	–	–	–	–	–	–	1	1

1. The number of meetings held during the time the Director was a member of the Board or relevant committee.

On behalf of the Directors

M Grainger

S Ewart
Directors
Hobart, 12 August 2016

Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 | Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

12 August 2016

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

Dear Board Members

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of TT-Line Company Pty Ltd for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

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

Yours sincerely

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

Tasmanian Audit Office

Independent Auditor's Report

To the Members of TT-Line Company Pty Ltd

Financial Report for the Year Ended 30 June 2016

Report on the Financial Report

I have audited the accompanying financial report of TT-Line Company Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2016 and the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

Auditor's Opinion

In my opinion:

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

  (i) giving a true and fair view of its financial position as at 30 June 2016 and its financial performance for the year ended on that date

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in the Statement of Compliance.

The Responsibility of the Directors for the Financial Report

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

...1 of 2

Auditor's Responsibility

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

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

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

The *Audit Act 2008* promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

I confirm that the independence declaration required by the *Corporations Act 2001*, was provided to the Directors on the same date as this auditor's report and is included in the Directors' report.

Tasmanian Audit Office

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

Hobart
12 August 2016

DIRECTORS' DECLARATION

1. In the opinion of the Directors of the Company:
   a) the financial statements and notes that are set out on pages 34 to 71 are in accordance with the *Corporations Act 2001* (Cth), including:
      i. giving a true and fair view of the Company's financial position as at 30 June 2016 and its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016.
3. The Directors draw attention to page 39 of the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

On behalf of the Directors

M Grainger

S Ewart

Directors

Hobart, 12 August 2016

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Operating revenue	A1	217,324	205,468
Investment revenue	A1	2,573	2,930
Other revenue	A1	1,013	125
Other gains	A1	14	27
REVENUE		**220,924**	**208,550**
Employee benefit expenses	A2	(68,977)	(63,847)
Other expenses	A2	(132,920)	(126,881)
Finance costs	A2	(363)	(330)
Asset revaluation	B2	8,271	(15,820)
PROFIT BEFORE TAX		**26,935**	**1,672**
Tax-equivalent (expense)	A3	(8,090)	(517)
PROFIT FOR THE YEAR		**18,845**	**1,155**

This statement should be read in conjunction with the accompanying notes.

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
PROFIT FOR THE YEAR		**18,845**	**1,155**
Other comprehensive income/(expense) for the year, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Recognised actuarial (losses)/gains	C3	(2,068)	1,151
Tax-equivalent benefit/(expense) on items of comprehensive income	A3	621	(345)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging reserve gains/(losses)	D3	1,232	(8,926)
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	(370)	2,678
Total other comprehensive (expense) for the year, net of tax		**(585)**	**(5,442)**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**18,260**	**(4,287)**

This statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 $'000	2015 $'000
CURRENT ASSETS			
Cash and cash equivalents		110,425	90,200
Trade and other receivables	B1	13,094	15,987
Inventories	B6	2,032	2,736
Other	B1	2,303	3,614
TOTAL CURRENT ASSETS		**127,854**	**112,537**
NON-CURRENT ASSETS			
Property, plant and equipment	B2	205,923	191,010
Intangibles	B3	2,269	2,388
Deferred tax asset (net of deferred tax liability)	A3	15,866	23,705
Other	B1	2,472	1,072
TOTAL NON-CURRENT ASSETS		**226,530**	**218,175**
TOTAL ASSETS		**354,384**	**330,712**
CURRENT LIABILITIES			
Trade and other payables	B5	12,285	11,546
Provisions	C1	13,176	12,686
Other	B5	22,544	20,098
TOTAL CURRENT LIABILITIES		**48,005**	**44,330**
NON-CURRENT LIABILITIES			
Provisions	C1	10,456	7,924
Other	B5	1,086	1,881
TOTAL NON-CURRENT LIABILITIES		**11,542**	**9,805**
TOTAL LIABILITIES		**59,547**	**54,135**
NET ASSETS		**294,837**	**276,577**
EQUITY			
Share capital		328,981	328,981
Cash flow hedging reserve	D3	(2,714)	(3,576)
Accumulated losses		(60,749)	(60,749)
Profits reserve	D1	29,319	11,921
TOTAL EQUITY		**294,837**	**276,577**

This statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Share capital $'000	Cash flow hedging reserve $'000	Accumulated losses $'000	Profits reserve $'000	Total $'000
Balance at 1 July 2014		**328,981**	**2,672**	**(60,749)**	**9,960**	**280,864**
Profit for the year		–	–	1,155	–	**1,155**
Transfers	D1	–	–	(1,961)	1,961	–
Other comprehensive income/(expense) for the year	D3	–	(6,248)	806	–	**(5,442)**
Total comprehensive income/(expense) for the year		–	(6,248)	–	1,961	**(4,287)**
Balance at 30 June 2015		**328,981**	**(3,576)**	**(60,749)**	**11,921**	**276,577**
Profit for the year		–	–	18,845	–	**18,845**
Transfers	D1	–	–	(17,398)	17,398	–
Other comprehensive income/(expense) for the year	D3	–	862	(1,447)	–	**(585)**
Total comprehensive income/(expense) for the year		–	862	–	17,398	**18,260**
Balance at 30 June 2016		**328,981**	**(2,714)**	**(60,749)**	**29,319**	**294,837**

This statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		265,877	245,737
Interest received		2,996	2,473
Cash payments in the course of operations		(224,603)	(208,278)
Net cash provided by operating activities	A4	**44,270**	**39,932**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		159	125
Payments for property, plant and equipment and major cyclical maintenance		(24,204)	(31,185)
Net cash (used) by investing activities		**(24,045)**	**(31,060)**
Net increase in cash held		20,225	8,872
Cash and cash equivalents at the beginning of the financial year		90,200	81,328
Cash and cash equivalents at the end of the financial year		**110,425**	**90,200**

This statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

General information

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

No. 1 Berth, The Esplanade

East Devonport Tasmania 7310

Telephone: (03) 6419 9000

Facsimile: (03) 6419 9345

The Company is a for profit entity and its principal activities are providing commercial passenger, vehicle and freight shipping services between Tasmania and mainland Australia.

Basis of preparation

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

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

The Directors authorised the financial statements for issue on 12 August 2016.

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

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

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recognised at the prevailing exchange rate on the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the prevailing rates on that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items in a foreign currency measured in terms of historical cost are not retranslated.

The Company is of the kind referred to in ASIC Corporations Instrument 2016/91. In accordance with that instrument, amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

Key judgements and estimates

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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

Note	Assumptions and estimates
B2	Useful lives of assets
B2	Fair value measurement and valuation processes
C1	Employee provisions
C3	Post-employment benefits
D3/D4	Fair value measurement of financial instruments

Notes to the Financial Statements

The notes to the financial statements include information that is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Company. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature
- it is important for understanding the results of the Company
- it helps explain the impact of significant changes in the Company
- it relates to an aspect of the Company's operations that is important to its future performance.

The notes have been grouped into sections to help readers understand how the Company strategy is reflected in the financial performance and position of the Company.

These sections comprise:

- A: Financial performance
- B: Asset platform and operating liabilities
- C: People
- D: Funding structure, financial assets and risk management
- E: Additional information.

Significant changes in the current reporting period

There have been no significant and unusual changes in the operation of the Company during the current reporting period.

Events after the reporting date

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

A – Financial performance

This section provides further information in respect to the financial performance of the Company for the year ended 30 June 2016. The focus is on revenue, expenses and cashflow disclosures. Certain operational expenses such as impairments are disclosed in the notes with the associated operating asset or liability in Section B: 'Asset platform and operating liabilities'. Employee-related expenses are disclosed in Section C: 'People'.

A1 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. The following is a breakdown of the Company's revenue from continuing operations for the period:

Operating revenue	2016 $'000	2015 $'000
Revenue from the provision of services	203,923	193,529
Revenue from the sale of goods	13,401	11,939
Operating revenue	**217,324**	**205,468**
Investment revenue[1]	**2,573**	**2,930**
Other revenue[2]	**1,013**	**125**
Other gains[3]	**14**	**27**
Total operating revenue	**220,924**	**208,550**

1. Interest income.
2. Insurance recoveries.
3. Gain on disposal of property, plant and equipment. No other gains or losses were incurred in respect of loans and receivables or held-to-maturity investments, other than impairment recognised or reversed in respect of trade receivables as disclosed in note B1: 'Receivables and other assets'.

Recognition and measurement

Revenue from the provision of services

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

Revenue from the sale of goods

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

Investment revenue

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

Other revenue

Revenue from insurance recoveries is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

A2 Expenses

Profit from continuing operations was calculated after charging the following:

Employee benefit expenses	2016 $'000	2015 $'000
Defined contribution plans	4,853	4,474
Defined benefit plans	161	181
Termination benefits[1]	188	259
Other employee benefits	63,775	58,933
Total employee benefit expenses	**68,977**	**63,847**

Other expenses	2016 $'000	2015 $'000
Depreciation	16,040	15,095
Amortisation[2]	1,495	1,293
Terminal operations	30,108	28,904
Administration[3]	11,893	11,283
Security	3,393	3,868
Food and beverages	3,363	2,848
Consumables	4,966	4,236
Repairs and maintenance	11,317	8,151
Bunker fuel and oil	37,698	37,064
Customer acquisition	12,647	14,139
Total other expenses	**132,920**	**126,881**

Finance costs	Note	2016 $'000	2015 $'000
Total finance costs[4]	**C3**	**363**	**330**

1. Including entitlements.
2. Leasehold improvements and intangibles.
3. The impairment allowance for receivables and other assets (note B1: Receivables and other assets) for the reporting period is immaterial and has been included as an administration cost.
4. Interest cost on defined benefit superannuation plan.

Recognition and measurement

Employee benefit expenses

Refer to notes C1: 'Employee provisions' and C3: 'Post-employment benefits' for employee benefits accounting policies.

Depreciation and amortisation

Refer to notes B2: 'Property, plant and equipment' and B3: 'Intangible assets – software', for depreciation and amortisation accounting policies respectively.

A3 Taxation

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

Income tax expenses include the sum of the tax currently payable and deferred tax. The major components of tax expense recognised in profit for the year are:

Tax-equivalent expense	2016 $'000	2015 $'000
Origination and reversal of temporary differences:		
Increase/(decrease) in deferred tax liability	2,813	(3,153)
Decrease in deferred tax asset	5,277	3,674
	8,090	**521**
Adjustment for prior years	–	(4)
Total tax-equivalent expense	**8,090**	**517**

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

Current period tax expense reconciliation	2016 $'000	2015 $'000
Profit before tax-equivalent expense	26,935	1,672
Prima facie tax-equivalent expense[1]	**8,081**	**502**
Non-deductible entertainment	9	19
(Under-provided) in prior periods	–	(4)
Tax-equivalent expense recognised in the current period, relating to continuing operations	**8,090**	**517**

1. The tax rate used for the 2016 reconciliation is the corporate tax rate of 30 per cent (2015: 30 per cent) payable by Australian corporate entities on taxable profits under Australian tax law.

The tax-equivalent benefit for the period recognised in other comprehensive income was as follows:

Tax recognised in other comprehensive income	2016 $'000	2015 $'000
Tax-equivalent impact of actuarial (losses)/gains	(621)	345
Tax-equivalent impact of revaluation in cash flow hedging reserve	370	(2,678)
Net tax-equivalent (benefit) attributable to transactions recognised in other comprehensive income	**(251)**	**(2,333)**

Recognition and measurement

Current tax

The tax currently payable is based on taxable profit for the period ending 30 June 2016. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other periods, as well as items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Deferred tax assets and liabilities are attributable to the following:

2016		Balance at 1 July 2015 $'000	Recognised in profit or loss (prior periods) $'000	Recognised in profit or loss (movement) $'000	Recognised in other comprehensive income $'000	Balance at 30 June 2016 $'000
Deferred tax assets	Employee provisions	5,833	–	404	621	6,858
	Other provisions	2	–	–	–	2
	Derivative asset – hedging	1,533	–	–	(370)	1,163
	Other accruals	173	–	113	–	286
	Tax losses	18,714	–	(5,794)	–	12,920
		26,255	**–**	**(5,277)**	**251**	**21,229**
Deferred tax liabilities	Consumables	(838)	–	440	–	(398)
	Property, plant and equipment	(1,048)	–	(3,423)	–	(4,471)
	Provisions	(664)	–	170	–	(494)
		(2,550)	**–**	**(2,813)**	**–**	**(5,363)**
Net deferred tax assets		**23,705**	**–**	**(8,090)**	**251**	**15,866**

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

Tax benefits not recognised

Tax benefits not recognised as deferred tax assets were capital losses of $116,000 (2015: $116,000).

A4 Cash flows

The reconciliation of profit for the year to net cash provided by operating activities at the reporting date is as follows:

Cash provided by operating activities	2016 $'000	2015 $'000
Profit for the year	**18,845**	**1,155**
Gain on the sale assets	(14)	(27)
Asset impairment	(8,271)	15,820
Depreciation	16,040	15,095
Amortisation	1,495	1,293
Income tax expense	8,090	517
Movements in working capital		
(Increase)/decrease in trade and other receivables	2,893	1,284
(Increase)/decrease in inventories	704	541
(Increase)/decrease in prepaid expenses and other	1,261	(1,365)
Increase/(decrease) in trade and other payables	739	1,264
Increase/(decrease) in revenue received in advance	1,535	2,861
Increase/(decrease) in provisions[1]	953	1,494
Net cash provided by operating activities	**44,270**	**39,932**

1. Excluding movements in provisions through equity.

Recognition and measurement

Cash and cash equivalents include cash on hand and in banks, as well as investments in short-term money market instruments, net of outstanding bank overdrafts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

B – Asset platform and operating liabilities

This section analyses the primary elements of the asset platform used to generate the Company's financial performance and the operating liabilities incurred as a result. Employee-related liabilities are discussed in note C1: 'Employee provisions' and deferred tax assets and liabilities are discussed in note A3: 'Taxation'.

B1 Receivables and other assets

The composition of trade and other receivables at the reporting date is as follows:

Trade and other receivables	2016 $'000	2015 $'000
Trade receivables	11,345	13,709
Allowance for impairment	(6)	(5)
	11,339	13,704
Other receivables	1,755	2,283
Total trade and other receivables	**13,094**	**15,987**

Allowances for impairment are recognised against trade receivables greater than 60 days based on estimated irrecoverable amounts determined by referring to the past default experience of the counterparty and an analysis of the counterparty's current financial position.

The below trade receivable balances have not been impaired as a result of securities held by the Company in relation to the debt.

Ageing past due but not impaired	2016 $'000	2015 $'000
60–90 days	73	206
90–120 days	32	28
Total	105	234

The composition of other assets at the reporting date is as follows:

Other assets	2016 $'000	2015 $'000
Derivative asset – fuel hedge[1]	2,798	1,215
Derivative asset – foreign currency hedge[1]	–	233
Prepaid expenses and other	1,977	3,238
Total other assets	**4,775**	**4,686**
Current	2,303	3,614
Non-current	2,472	1,072
Total other assets	**4,775**	**4,686**

1. Refer to section D: 'Funding structure, financial assets and risk management' for further details regarding derivative assets.

Recognition and measurement

The average credit period taken on all sales of goods and services was 24 days (2015: 25 days). No interest is charged on trade receivables.

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

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

At the reporting date, no material receivables are individually determined to be impaired. Overall there has been no material movement in the allowance for doubtful debts during the year. Accordingly, the Directors believe no further credit provision is required in excess of the allowance for impairment.

Refer to note D2: 'Financial risk management objectives' for further discussion on how the Company manages its credit risk.

The recognition and measurement criteria for other assets are disclosed in section D: 'Funding structure, financial assets and risk management'.

B2 Property, plant and equipment

The reconciliation of the opening and closing balances of property, plant and equipment at 30 June 2016 is as follows:

Property, plant and equipment	Vessels at fair value $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Buildings at fair value $'000	Freehold land at cost $'000	Total $'000
Gross book value	180,023	14,762	10,416	2,106	500	207,807
Accumulated depreciation	–	(8,547)	(7,278)	(74)	–	(15,899)
Opening net book value 1 July 2014	**180,023**	**6,215**	**3,138**	**2,032**	**500**	**191,908**
Acquisitions	21,278	239	1,023	54	–	22,594
Major cyclical maintenance	7,957	–	–	–	–	7,957
Disposals	–	–	(98)	–	–	(98)
Depreciation and amortisation	(14,107)	(436)	(913)	(75)	–	(15,531)
Asset revaluation	(15,709)	–	–	(111)	–	(15,820)
Gross book value	179,442	15,001	11,115	1,900	500	207,958
Accumulated depreciation	–	(8,983)	(7,965)	–	–	(16,948)
Closing net book value 30 June 2015	**179,442**	**6,018**	**3,150**	**1,900**	**500**	**191,010**
Acquisitions	12,863	368	1,772	23	–	15,026
Major cyclical maintenance	8,248	–	–	–	–	8,248
Disposals	–	–	(144)	–	–	(144)
Depreciation and amortisation	(14,988)	(448)	(983)	(69)	–	(16,488)
Asset revaluation	8,271	–	–	–	–	8,271
Gross book value	193,836	15,369	12,423	1,923	500	224,051
Accumulated depreciation	–	(9,431)	(8,628)	(69)	–	(18,128)
Closing net book value 30 June 2016	**193,836**	**5,938**	**3,795**	**1,854**	**500**	**205,923**

Recognition and measurement

The Company's property, plant and equipment classifications and the measurement method used for each are as follows:

Fair value:

- vessels
- buildings

Cost:

- leasehold improvements
- plant and equipment
- freehold land.

Fair value

Vessels and buildings are recorded in the statement of financial position at fair value. To maintain the currency of these assets' valuations, vessels are revalued every year, while buildings are revalued every second year.

In estimating the fair value of these assets, the Company uses market-observable data to the extent it is available. Where market observable data is not available, the Company engages qualified third-party valuers to perform the valuation. The Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the valuation model using significant observable inputs.

The fair value of the vessels and the buildings has been determined by third party valuers in both the current and comparative years.

A decrease in the carrying amount arising on revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

A revaluation increase is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

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

Current valuations

Vessels

Mason Shipbrokers Limited and Simsonship AB provided independent valuations of the vessels at 30 June 2016. As the prevailing market for these types of vessels is predominately in Europe, the valuation is provided in euros and translated at the prevailing exchange rate on the reporting date. No allowance has been made for transport costs as they cannot be reliably determined.

The valuation of each vessel, in Australian dollars, increased from $89.7 million to $96.9 million between 2015 and 2016; the value in euros increased from 62 million euros to 65 million euros. The $7.2 million increase in the fair value of each vessel was the result of a favourable movement in the Australian dollar and euro exchange rate and the increase in valuation. In addition to the $14.4 million increase in fair value for both vessels during the year, they were depreciated by $15.0 million during the year and also underwent $21.1 million of improvements and periodic maintenance. The result of these movements was an $8.3 million vessel revaluation increment, recognised in the statement of profit or loss.

If the vessels had been carried at cost, the depreciated carrying value of both vessels would be $153.6 million.

Buildings

Australian Property Institute member Matthew J Page of the independent valuer Knight Frank conducted a valuation of the land and buildings to determine their value at 30 June 2015. The freehold land has remained at cost and the buildings were measured at fair value. Operations have remained constant and it was deemed unnecessary to obtain a revised valuation at 30 June 2016. The valuation was determined by reference to market transactions on arm's-length terms.

Asset revaluation recognised in profit or loss	**2016 $'000**	**2015 $'000**
Vessels		
Increase/(decrease) in fair value	14,394	(581)
Improvements and periodic maintenance	(21,111)	(29,235)
Gross revaluation (decrement)	**(6,717)**	**(29,816)**
Depreciation	14,988	14,107
Vessel revaluation recognised in profit or loss	**8,271**	**(15,709)**
Buildings		
(Decrease) in fair value	–	(206)
Improvements	–	(54)
Gross revaluation (decrement)	**–**	**(260)**
Depreciation	–	149
Building revaluation recognised in profit or loss	**–**	**(111)**
Total asset revaluation recognised in profit or loss	**8,271**	**(15,820)**

Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction which are not depreciated), less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and the effect of any changes is recognised on a prospective basis.

The following useful lives are used to calculate depreciation in both the current and prior years:

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

Estimations

Estimations of the vessels' economic life and residual value are key judgements in the financial statements. The residual value of the vessels has not changed since the last reporting date and is 10 per cent of the build price.

A 10 per cent increase or decrease in the residual value of the vessels would result in a $0.3 million decrease or increase in depreciation in the statement of profit or loss and a corresponding $0.3 million increase or decrease in the carrying value of property, plant and equipment in the statement of financial position.

A one-year increase or decrease in the vessels' remaining estimated economic life would result in a $0.8 million decrease or $0.9 million increase in depreciation in the statement of profit or loss, and a corresponding $0.8 million increase or $0.9 million decrease in the carrying value of property, plant and equipment in the statement of financial position.

Derecognition of property, plant and equipment

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

Capital expenditure

During the reporting period, the Company completed the refurbishment of its two vessels. The costs incurred in the year to 30 June 2016 totalled $8.7 million and are included as vessel acquisitions.

The company has commitments for future capital expenditure for the vessel dry dock of $7.3 million and vessel refurbishment of $0.6 million.

B3 Intangible assets – software

The reconciliation of the opening and closing balances of intangible assets at the reporting date are as follows:

Intangible assets – software	2016 $'000	2015 $'000
Gross book value	5,196	4,561
Accumulated amortisation	(2,808)	(1,951)
Opening net book value at 1 July	**2,388**	**2,610**
Acquisitions	928	635
Amortisation	(1,047)	(857)
Gross book value	6,124	5,196
Accumulated amortisation	(3,855)	(2,808)
Closing net book value 30 June	**2,269**	**2,388**

Recognition and measurement

Intangible assets acquired separately

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

Useful life

The calculation for amortisation of software is based on a useful life of 3–10 years.

Derecognition of intangible assets

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

B4 Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see note B2: 'Property, plant and equipment').

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

B5 Payables and other liabilities

The composition of trade and other payables and other liabilities at the reporting date is as follows:

Trade and other payables	2016 $'000	2015 $'000
Trade and other payables	**12,285**	**11,546**

Other liabilities	2016 $'000	2015 $'000
Derivative liability – fuel hedge	6,619	6,558
Derivative liability – foreign currency hedge	55	–
Revenue received in advance	16,956	15,421
Total other liabilities	**23,630**	**21,979**
Current	22,544	20,098
Non-current	1,086	1,881
Total other liabilities	**23,630**	**21,979**

Recognition and measurement

Trade payables are carried at the amount owing to counterparties for goods and services provided, which is the invoice amount that remains unpaid and includes both domestic and international non-interest bearing creditors.

The average credit period received on purchases of goods and services was 20 days (2015: 20 days). The Company has financial risk management policies in place to ensure payables are paid within prearranged credit terms where practical.

Revenue received in advance is where payment for services has been received from an external party but the associated service has not yet been performed.

The recognition and measurement criteria for derivative financial instruments are disclosed as part of Section D: 'Funding structure, financial assets and risk management'.

B6 Inventories

The composition of inventories at the reporting date is as follows:

Inventories	2016 $'000	2015 $'000
Bunker fuel	915	1,414
Maintenance stock	671	1,042
Food and beverage stock	446	280
Total inventories	**2,032**	**2,736**

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories, less all estimated completion costs and necessary costs to make the sale.

Inventory costs are determined on a first-in, first-out basis.

The cost of inventories recognised as an expense during the period in respect of continuing operations was $35.0 million (2015: $56.4 million).

C – People

This section describes a range of employment and post-employment benefits provided to our people.

C1 Employee provisions

The components of employee provisions at the reporting date are as follows:

Provisions	2016 $'000	2015 $'000
Workers compensation[1]	770	1,167
Long service leave	7,164	6,266
Annual leave	7,022	6,423
Employee incentives	269	470
Defined benefit obligation[2]	8,407	6,284
Total provisions	**23,632**	**20,610**
Current	13,176	12,686
Non-current	10,456	7,924
Total provisions	**23,632**	**20,610**

1. The provision for workers compensation represents the best estimate of the future outflows relating to workers compensation claims. The estimate has been made on the basis of information received at the end of the reporting period.
2. See note C3: 'Post-employment benefits'.

Recognition and measurement

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

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

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

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

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

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

Payments to defined contribution retirement plans are expensed when employees have rendered service entitling them to these contributions. Further details of recognition, measurement and key estimates are provided in note C3: 'Post-employment benefits', regarding provision for defined benefit contributions.

C2 Director and key management personnel compensation

The aggregate compensation made to Directors and other key management personnel is as follows:

Director and key management personnel compensation	2016 $'000	2015 $'000
Short-term employee benefits	3,166	2,779
Post-employment benefits	233	197
Long-term benefits	(65)	(2)
Termination benefits	–	–
Total Director and key management personnel compensation	**3,334**	**2,974**

Remuneration principles

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Non-executive Directors

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

The level of fees paid to Directors is administered by the Tasmanian Government's Department of Premier and Cabinet, as are additional fees paid for Directors' work on Board committees.

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

No other leave, termination or retirement benefits are accrued by, or paid to, Directors. Directors are entitled to reimbursement of expenses incurred while attending to Board business.

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

Executive remuneration

The Company has a Board-endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance guidelines for director and executive remuneration dated October 2015. Under these guidelines, the remuneration band for the CEO is determined by the Government Business Executive Remuneration Advisory Panel. Positioning within the bands depends on the complexity and size of the business, and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's remuneration.

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

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

Standard terms of employment for new senior executives were revised in December 2014 to include termination clauses that require the senior executive or the Board to provide a minimum six-month notice period prior to termination of the contract.

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

Incentive payments

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

Short-term incentive payments were awarded during the current year for achieving performance goals.

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

Directors' remuneration

The remuneration details for each person who acted as a Director during the current and previous financial year are as follows:

2016 Director remuneration	Directors' fees $'000	Committee fees $'000	Superannuation[1] $'000	Total $'000
Non-executive Directors				
Mr M Grainger – Chairman	78	5	8	91
Mr R Chadwick, AM	39	5	4	48
Ms S Ewart	39	6	4	49
Ms C Filson	23	1	2	26
Dr J Hawkins	39	–	4	43
Mr R Heazlewood	39	–	4	43
Mr A Tobin	16	2	2	20
Executive Director[3]				
Mr B Dwyer – CEO	–	–	–	–
Total	**273**	**19**	**28**	**320**

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

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

Executive remuneration

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

2016 Executive remuneration	Salary[1] $'000	Incentive payments[2] $'000	Termination benefits[3] $'000	Super-annuation[4] $'000	Vehicles[5] $'000	Other benefits[6] $'000	Other non-monetary benefits[7] $'000	Total $'000
Mr B Dwyer *CEO*	415	–	–	20	28	–	12	475
Mr P Guarino *General Manager Freight Services & Port Operations*	302	39	–	23	23	–	(16)[8]	371
Mr T Harlow *Chief Information Officer*	164	11	–	16	20	–	6	217
Mr N Harriman *General Manager Retail & Hospitality*	219	41	–	23	16	–	(3)[8]	296
Mr S Holmes (to 8/1/16) *General Manager Risk & Resilience*	117	26	–	13	–	13	(65)[8]	104
Mr K Maynard *General Manager Corporate Services*	185	22	–	20	13	–	(15)[8]	225
Mr S McCall *Chief Financial Officer*	278	30	–	22	20	–	12	362
Mr J McGrath *General Manager Human Resources*	259	50	–	24	20	–	14	367
Mr S Michael *General Manager Marine Operations*	285	50	–	24	20	–	(9)[8]	370
Ms E Rojas *General Manager Marketing*	164	20	–	20	–	24	(1)[8]	227
Total	**2,388**	**289**	**–**	**205**	**160**	**37**	**(65)**	**3,014**

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

1. Salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.
2. Incentive payments are paid in cash and include both short and long-term incentives. Short-term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. Short-term incentive payments are capped at 15 per cent of total remuneration.
3. Termination benefits include all forms of benefit paid or accrued as a consequence of termination.
4. Superannuation means the contribution to the superannuation fund of the individual.
5. Vehicles benefits include the cost of providing and maintaining vehicles for private use, including registration, insurance, fuel and other consumables, maintenance costs and fringe benefits tax.
6. Other benefits include all other forms of employment allowances (excluding expense reimbursements) and other compensation paid and payable, including motor vehicle allowances.
7. Other non-monetary benefits include annual leave, long service leave and long term incentive provision movements.
8. Negative movements in non-monetary benefits are a result of employee provisions being used or no longer required due to an employee's departure.
9. Mr S McCall was acting CEO for the period 1 July 2014 – 2 November 2014.

C3 Post-employment benefits

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

The components of net defined benefit liability at the reporting date are as follows:

Reconciliation of the net defined benefit liability	**2016 $'000**	**2015 $'000**
Defined benefit obligation	9,786	7,627
Fair value of scheme assets	(1,379)	(1,343)
Net defined benefit liability	**8,407**	**6,284**
Current	119	94
Non-current	8,288	6,190
Net defined benefit liability	**8,407**	**6,284**

Reconciliation of the defined benefit obligation	**2016 $'000**	**2015 $'000**
Present value of defined benefit obligation at the beginning of the period	7,627	8,286
Current service cost	160	182
Interest cost	363	330
Contributions by plan participants	44	39
Actuarial (gains)/losses arising from changes in demographic assumptions	–	–
Actuarial (gains)/losses arising from changes in financial assumptions	1,920	(972)
Actuarial (gains)/losses arising from liability experience	313	(147)
Benefits paid	(628)	(81)
Estimated taxes, premiums and expenses paid	(13)	(10)
Present value of defined benefit obligation at the end of the period	**9,786**	**7,627**

Reconciliation of the fair value of scheme assets	**2016 $'000**	**2015 $'000**
Fair value of fund assets at the beginning of the period	1,343	1,241
Interest income	63	50
Actual return on plan assets less interest income	165	32
Employer contributions	405	72
Contributions by plan participants	44	39
Benefits paid	(628)	(81)
Taxes, premiums and expenses paid	(13)	(10)
Fair value of fund assets at the end of the period	**1,379**	**1,343**

Plan information

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

Regulatory framework

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

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

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

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

Governance responsibilities

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

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

Recognition and measurement

Valuation techniques

The Company uses valuation techniques to determine the defined benefit obligation.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position, with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not to be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as:

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

Costs recognised in profit or loss	**2016 $'000**	**2015 $'000**
Current service cost	160	182
Interest cost	363	330
Components of defined benefit cost recognised in profit or loss	**523**	**512**

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

The Company presents the following components in other comprehensive income:

Costs recognised in other comprehensive income:	**2016 $'000**	**2015 $'000**
Actuarial (gains)/losses arising from changes in demographic assumptions	–	–
Actuarial (gains)/losses arising from changes in financial assumptions	1,920	(972)
Actuarial (gains)/losses arising from liability experience	313	(147)
Actual return on plan assets less interest income	(165)	(32)
Components of defined benefit cost recognised in other comprehensive income	**2,068**	**(1,151)**

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

Risks

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

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

Fair value of fund assets

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

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

Assets are not held separately for each reporting entity, such as TT-Line, but are held for the fund as a whole. The fair value of scheme assets for each reporting entity was estimated by allocating the total fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in the report prepared by the state's actuary (Mercer), dated 8 July 2016, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity the state's actuary has used a discount rate of 2.7 per cent in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

Fair value of scheme assets

The below and following table summarises the fair value of the funds' assets attributable to the Company's obligation and the basis upon which those assets have been valued.

2016[1]	**Quoted prices in active markets for identical assets $'000**	**Significant observable inputs $'000**	**Unobservable inputs $'000**	**Total $'000**
Asset category				
Cash and cash equivalents	239	–	–	239
Equity instruments	429	413	99	941
Debt instruments	50	76	59	185
Derivatives	–	3	–	3
Real estate	–	11	–	11
Total	**718**	**503**	**158**	**1,379**

1. Estimated based on assets allocated to the Company at 30 June 2016 and asset allocation of the RBF scheme at 30 June 2015.

2015[1]	**Quoted prices in active markets for identical assets $'000**	**Significant observable inputs $'000**	**Unobservable inputs $'000**	**Total $'000**
Asset category				
Cash and cash equivalents	233	–	–	233
Equity instruments	417	403	97	917
Debt instruments	49	74	57	180
Derivatives	–	2	–	2
Real estate	–	11	–	11
Total	**699**	**490**	**154**	**1,343**

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

Significant actuarial assumptions at the reporting date

The below assumptions have been used when determining the defined benefit obligations:

Assumptions to determine defined benefit cost and start-of-year defined benefit obligation	2016 %	2015 %
Discount rate (active members)	4.80	4.10
Discount rate (pensioners)	4.80	4.10
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	4.50	4.50
Expected pension increase rate	2.50	2.50

Assumptions to determine end-of-year defined benefit obligation	2016 %	2015 %
Discount rate (active members)	3.55	4.80
Discount rate (pensioners)	3.55	4.80
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	4.50	4.50
Expected pension increase rate	2.50	2.50

Sensitivity analysis

The defined-benefit obligation at 30 June 2016, under several scenarios, is presented below. Scenarios A and B relate to discount rate sensitivity, while scenarios C and D relate to expected pension increase rate sensitivity.

- Scenario A: 1.0 per cent per annum lower discount rate assumption
- Scenario B: 1.0 per cent per annum higher discount rate assumption
- Scenario C: 1.0 per cent per annum lower expected pension increase rate assumption
- Scenario D: 1.0 per cent per annum higher expected pension increase rate assumption.

	Discount rate % pa	Pension increase rate % pa	Defined benefit obligation $'000
Base case	3.55	2.50	9,786
Scenario A	2.55	2.50	11,865
Scenario B	4.55	2.50	8,202
Scenario C	3.55	1.50	9,055
Scenario D	3.55	3.50	10,624

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

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

Asset and liability matching strategies

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

Funding arrangements

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

Expected employer contributions	2017 $'000
Expected employer contributions in 2017	119

Maturity profile of the defined-benefit obligation

The weighted average duration of the defined-benefit obligation for the Company is 19.1 years.

Significant events

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

Reconciliation of the effect of the asset ceiling

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

D – Funding structure, financial assets and risk management

As a result of its operations, the Company is exposed to multiple forms of risk. This section sets out the nature of the financial risks and their quantification and management. It also sets out the strategies and practices the Company uses to minimise its exposure to these risks.

D1 Capital management

The Company's capital structure at the reporting date consists of net cash (cash and cash equivalents) and the equity of the Company (comprising issued capital, reserves and retained earnings), with a net equity position at the reporting date of $294.8 million (2015: $276.6 million).

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the benefit to stakeholders. The Company's overall strategy remains unchanged from 2015.

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

The Company holds a profit reserve which relates to profits set aside by the Company.

Profit reserve	2016 $'000	2015 $'000
Balance at the beginning of the period	11,921	9,960
Transfers during the period	17,398	1,961
Balance at the end of the period	**29,319**	**11,921**

D2 Financial risk management objectives

The Company is exposed to a number of financial risks including market risk (including bunker fuel price risk), foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Company seeks to minimise the effect of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's Board-approved policy, which provides written principles on foreign exchange risk, interest rate risk, bunker fuel price risk, credit risk, the use of financial derivatives and non-financial derivative instruments, and the investment of excess liquidity.

Internal auditors review compliance with the policy and exposure limits on a planned basis. The Company does not enter into or trade financial instruments for speculative purposes, including derivative financial instruments.

The Company's treasury function provides services to the business, co-ordinates access to financial markets, and monitors and manages the financial risks relating to the Company's operations through internal risk reports that analyse exposures by degree and magnitude of risk and reports regularly to the Board.

Market risk

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

- movements in the price of bunker fuel (denominated in United States (US) dollars)
- movements in the US and Australian dollar foreign exchange rate.

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

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

Fuel price sensitivity analysis

The following table below summarises the potential impact of reasonably possible changes in the US dollar price of bunker fuel for the period ended 30 June 2016 on net profit and equity. This only reflects the impact on the financial instrument and does not reflect the cost change on bunker fuel as a whole.

The sensitivity analysis assumes a 10 per cent increase or decrease in the price of bunker fuel, holding all other variables constant (such as exchange rates, designations and hedge effectiveness testing results).

Price per metric tonne of fuel	Net profit 2016 $'000	Net profit 2015 $'000	Equity 2016 $'000	Equity 2015 $'000
10% increase	1,132	2,014	3,750	3,697
10% decrease	(1,132)	(2,014)	(3,750)	(3,697)

Exchange rate sensitivity analysis

The table below summarises the impact of reasonably possible changes in US and Australian dollar exchange rates for the period ended 30 June 2016 on net profit and equity. This only reflects the impact on the financial instrument and does not reflect the cost change on bunker fuel as a whole.

The sensitivity analysis assumes a 10 per cent increase or decrease in the US and Australian dollar exchange rate, holding all other variables constant (such as designations and hedge effectiveness testing results).

US$/A$ exchange rate	Net profit 2016 $'000	Net profit 2015 $'000	Equity 2016 $'000	Equity 2015 $'000
10% increase	(1,043)	(1,842)	(3,409)	(3,361)
10% decrease	1,258	2,238	4,166	4,108

Foreign currency risk

In addition to the market risk regarding foreign currency risk on bunker fuel purchases, the company also undertakes certain transactions denominated in foreign currencies, which results in exposure to exchange rate fluctuations.

In accordance with the Company's treasury policy, forward exchange contracts are entered into to manage the exposure to exchange rate fluctuations

Interest rate risk

Interest rate risk for the Company is the risk of a reduction in earnings and/or net present value of the Company as a consequence of adverse movements in interest rates. The Company is not currently in a net debt position and doesn't have any financial derivatives to manage any related interest rate risk.

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the reporting period would have increased or decreased by $0.5 million (2015: increased or decreased by $0.4 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate cash deposits.

Credit risk

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

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

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

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

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

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses,

represents the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained.

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

Liquidity risk

The Board has ultimate responsibility for liquidity risk management. It has established an appropriate liquidity risk management framework for managing the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and by continually monitoring forecast and actual cash flows and matching the maturing profiles of financial assets and liabilities.

The Company has a $15.0 million unsecured bank overdraft facility that at 30 June 2016 was unused (2015: $15.0 million unused) to further reduce liquidity risk.

D3 Using derivatives to hedge risk

The Company uses derivative financial instruments to manage its exposure to bunker fuel and foreign currency risks.

The Company's derivative financial instruments designated as cash flow hedges relating to future bunker fuel purchases and foreign currency forward exchange contracts at the reporting date are as follows:

Derivative financial assets	2016 $'000	2015 $'000
Bunker fuel hedge	2,798	1,215
Foreign currency hedge	–	233
Total derivative financial assets	**2,798**	**1,448**

Derivative financial liabilities	2016 $'000	2015 $'000
Bunker fuel hedge	6,619	6,558
Foreign currency hedge	55	–
Total derivative financial liabilities	**6,674**	**6,558**

The table below identifies the impact of these cash flow hedges on equity during the reporting period:

Cash flow hedging reserve	2016 $'000	2015 $'000
Balance at the beginning of the period	(3,576)	2,672
Effective portion of changes in fair value of cash flow hedge	(10,460)	(14,826)
Transfer of hedge reserve to statement of comprehensive income	11,692	5,900
Net impact on equity before tax	1,232	(8,926)
Deferred tax liability arising on market valuation	(370)	2,678
Net impact on equity after tax	**862**	**(6,248)**
Balance at the end of the period	**(2,714)**	**(3,576)**

Recognition and measurement

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at fair value through profit or loss (FVTPL).

Hedge accounting

The Company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives in respect of foreign currency and commodity risk as cash flow hedges.

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

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

Valuation

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

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

Derivative instruments are carried at fair value.

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

2016	Quoted prices in active markets for identical assets $'000	Significant observable inputs $'000	Unobservable inputs $'000	Total $'000
Financial assets at FVTPL				
Bunker fuel hedge	–	2,798	–	2,798
Foreign currency hedge	–	–	–	–
Total	**–**	**2,798**	**–**	**2,798**
Financial liabilities at FVTPL				
Bunker fuel hedge	–	(6,619)	–	(6,619)
Foreign currency hedge	–	(55)	–	(55)
Total	**–**	**(6,674)**	**–**	**(6,674)**

2015	Quoted prices in active markets for identical assets $'000	Significant observable inputs $'000	Unobservable inputs $'000	Total $'000
Financial assets at FVTPL				
Bunker fuel hedge	–	1,215	–	1,215
Foreign currency hedge	–	233	–	233
Total	**–**	**1,448**	**–**	**1,448**
Financial liabilities at FVTPL				
Bunker fuel hedge	–	(6,558)	–	(6,558)
Foreign currency hedge	–	–	–	–
Total	**–**	**(6,558)**	**–**	**(6,558)**

There were no transfers between levels during the reporting period.

Derivative financial instruments

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

Counterparty risk was considered when measuring the effectiveness of the hedging instruments at 30 June 2016. The Company's policies with regard to credit and liquidity risk management have ensured that the effect of counterparty risk is immaterial.

The following tables indicate the periods in which cash flows associated with derivatives, that are cash flow hedges, are expected to occur:

	Under 1 year	1 - 5 years	More than 5 years	Total
2016 - Expected cash flows	**$'000**	**$'000**	**$'000**	**$'000**
Bunker fuel hedge				
Assets	326	2,472	–	2,798
Liabilities	(5,533)	(1,086)	–	(6,619)
Forward exchange contract				
Assets	–	–	–	–
Liabilities	(55)	–	–	(55)

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

D4 Fair value measurement of non-derivative financial instruments

The Company's non-derivative financial instruments at the reporting date are as follows:

Financial assets	**2016 $'000**	**2015 $'000**
Cash and cash equivalents	110,425	90,200
Trade and other receivables	13,094	15,987

Financial liabilities	**2016 $'000**	**2015 $'000**
Trade and other payables	12,285	11,546

Recognition and measurement

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

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

Financial assets

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

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

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

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

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

Certain categories of financial assets, such as trade receivables, are assessed for impairment collectively, even if they were individually assessed as unimpaired.

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments or an increase in the number of delayed payments in the portfolio past a credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

Financial liability and equity instruments

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

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

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

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

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

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

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

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

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

As at the reporting date the carrying amount non-derivative financial instruments was equal to the fair value.

Non-derivative financial instruments

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

2016 - Interest rate maturity	Floating interest rate $'000	Under 1 year $'000	1 - 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Non-derivative financial assets						
Cash and cash equivalents	35,497	74,800	–	–	128	110,425
Trade and other receivables	–	–	–	–	13,094	13,094
Total	**35,497**	**74,800**	**–**	**–**	**13,222**	**123,519**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	12,285	12,285
Total	**–**	**–**	**–**	**–**	**12,285**	**12,285**

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

E – Additional information

This section includes additional information that is required by accounting standards.

E1 Leases

The Company has entered into operating leases that relate to the dock areas at the Company's Devonport and Melbourne terminals and information technology equipment. All leases are non-cancellable. The Company also acts as a lessor, leasing out the gaming area and tourism brochure outlet on board the vessels to specialist third-party operators.

Non-cancellable operating lease payments	2016 $'000	2015 $'000
Under one year	2,939	2,927
Longer than one year but not longer than five years	11,675	8,723
Longer than five years	275	6,065
Total non-cancellable operating lease payments	**14,889**	**17,715**

Recognition and measurement

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

The Company as lessor

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

The Company as lessee

Finance leases

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

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

Operating leases

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

Contingent rentals

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

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

E2 Auditors' remuneration

The auditor of the Company is the Tasmanian Audit Office. Fees charged for the audit of the current year's financial report were $69,200 (2015: $68,890).

E3 Contingent assets and liabilities

There were no material contingent assets or liabilities at 30 June 2016 (2015: nil).

E4 Related-party transactions

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

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

During the reporting period, the Company paid $130,000 (2015: $130,000) in sponsorship to the Tourism Industry Council Tasmania. Mr B Dwyer is a Director of the Tourism Industry Council Tasmania, for which he received no remuneration. The Company also paid $39,160 to Pivot Maritime International Pty Ltd for services during the reporting period; Dr J Hawkins is the Managing Director of Pivot Maritime International.

E5 Other accounting policies

Accounting for goods and services taxes

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

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

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

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

Current/non-current classification

Assets are disclosed as current when they are expected to be converted to cash or receivable within 12 months of close of the reporting period.

Liabilities are disclosed as current when they are due within 12 months of the close of the reporting period.

New and amended Australian Accounting Standards

In the current year, the Company has applied a number of amendments to Australian Accounting Standards Board (AASB) standards and a new interpretation issued by the AASB. These include:

- The *Annual Improvements 2015-3* completes the withdrawal of references to AASB 1031 *'Materiality in all Australian Accounting Standards and Interpretations'*, allowing the Standard to be effectively withdraw. When assessing materiality, the requirements of AASB 101 *'Presentation of Financial Statements'* and AASB 108 *'Accounting Policies, Changes in Accounting Estimates and Errors'* must be applied (the definition is the same in both standards).
- AASB 2015-2 *'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'*, which has been adopted early as an initiative to improve the presentation of the Company's financial report for users and provide the clearest picture of the Company's financial performance and position.

The adoption of these standards and interpretations did not have a material impact on the disclosures or the amounts recognised in these financial statements.

Standards and interpretations in issue but not yet adopted

On the date the financial statements were authorised the following Australian Accounting Standards and Interpretations were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied on the financial year ending
• AASB 16 *'Leases and the relevant amending standards'*	1 January 2019	30 June 2020
• AASB 9 *'Financial Instruments and the relevant amending standards'*	1 January 2018	30 June 2019
• AASB 15 *'Revenue from Contracts with Customers'* and AASB 2014-5 *'Amendments to Australian Accounting Standards Arising'* from AASB 15	1 January 2018	30 June 2018
• AASB 2014-4 *'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'*	1 January 2016	30 June 2017
• AASB 2015-1 *'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle'*	1 January 2016	30 June 2017

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The reported results and position of the Company will not change on adoption of these pronouncements as they do not result in any changes to the Company's existing accounting policies. Adoption may, however, result in changes to information currently disclosed in the financial statements. The Company does not intend to adopt any of these pronouncements before their effective dates. When adopted the above standards and interpretation are not expected to have a significant impact on the Company's financial statements with the exception of AASB 16. The analysis of the financial impact of the adoption of AASB 16 was not complete at the reporting date.

APPENDIX TO ANNUAL REPORT - UNAUDITED

APPENDIX A - Other important information (unaudited)

Annual report disclosures in accordance with government guidelines

Buy local

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

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

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

Purchases from Tasmanian businesses (including GST)	**2016**
Value of purchases from Tasmanian businesses ($'000)	39,886
Percentage of purchases from Tasmanian businesses	23%

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

Consultant	**Location**	**Description**	**Engagement**	**2016 $'000**
BDA Marketing Planning	Victoria	Industry and market advice	Ad hoc	67
Holman Fenwick Willan	Victoria	Employment matters including workers compensation	Ad hoc	103
HWL Ebsworth Lawyers	Victoria	Internal audit and general legal advice	Ad hoc	61
James C Smith & Associates P/L	Victoria	Specialised food service advice	Ad hoc	65
Page Seager	Tasmania	General legal advice	Ad hoc	123
Thompson Clarke Shipping P/L	New South Wales	Specialised industry advice	Ad hoc	68
Corporate Communications	Tasmania	Public relations advice	Monthly retainer	59
FAB Solutions	Victoria	Independent bar stocktake service	Monthly	63
KPMG	Tasmania	Internal audit/advice	Annual engagement	65
Total				**674**
44 other consultants were engaged, each for $50,000 or less, totalling				464
Total cost of consultants				**1,138**

Payment of accounts

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

Accounts due or paid within the year	2016	2015
Creditor days	20	20

	Number of invoices	$'000
Invoices due for payment (including GST)	22,602	197,979
Invoices paid on time (including GST)	18,558	178,976
Payments of interest or fees on overdue invoices	7	–

SPIRIT OF TASMANIA *A trip to remember*