TT-Line Company Pty Ltd

Annual Report

2016/17

SPIRIT OF TASMANIA

Company **Vision**

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

Company **Mission**

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

Business **Objectives**

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

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

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Report from **the Chairman**

The 2016/17 financial year marked the third year of Spirit of Tasmania's new strategic plan.

Through the refurbishment of the Spirit of Tasmania vessels, increased sailings and lower average passenger fares, the Company achieved record total revenue of $231.8 million (2015/16: $220.9 million).

This record revenue figure, combined with continued strict cost control measures, delivered the Company's highest profit before tax of $35.9 million (2015/16: $26.9 million).

After-tax profit for the year ended 30 June 2017 was $25.1 million (2015/16: $18.8 million).

The valuation of the vessels did not change compared to last year – they were valued at 65 million euros each as at 30 June 2017. While the vessels are a depreciating asset, the valuation remained steady thanks to the current strong ferry resale market, the quality of the vessels (following refurbishment in 2015/16) and reduced short-term new vessel build capacity.

The number of sailings increased by three per cent compared to 2015/16 to 838 (2015/16: 814). This number included an additional 17 day sailings. Day sailings operated by the Company in 2016/17 totalled 144, the highest since 2004.

Passenger numbers also grew in 2016/17 to 433,925 (2015/16: 418,831), an increase of four per cent. It was the highest number of passengers carried on the two vessels since 2004.

These passengers spent $542 million in the state during the reporting period. This is on top of direct spending in Tasmania by the Company that totalled $39.4 million in the reporting period.

At the same time, freight volumes were the highest on record – 103,430 twenty-foot equivalent units (TEUs) (2015/16: 100,626).

The safe operation of the vessels continued to be of critical importance to the Board in 2016/17 – it is a regular Board agenda item and is the first listed objective in the new strategic plan referenced earlier.

Workplace and ship safety are at the core of our business and are aligned with a rigorous ship maintenance program, a large part of which occurs during the annual dry dock inspections at Garden Island in Sydney (the only dry dock facility in Australia large enough for the Spirit of Tasmania vessels).

The reporting period was the first year of a new five-year deal (2017 to 2021) with the AFL and the North Melbourne Football Club to play games in Hobart at Blundstone Arena.

The Board approved the five-year exclusive extension, becoming the sole match-day naming rights sponsor, after satisfying ourselves that the new arrangements were continuing to be commercially viable.

Spirit of Tasmania's relationship with North Melbourne Football Club (since 2012) has delivered significant brand recognition in our key markets interstate through Channel 7 and Foxtel, and flow-on financial and social benefits to the state, particularly in hotel and restaurant businesses.

The five-year extension delivered – and will continue to deliver – further benefits to young Tasmanian and female footballers around the state through The Huddle.

The Board continued to work closely with the Company's management team and the Tasmanian Government on vessel replacement.

Replacing critical infrastructure similar to the two Spirit of Tasmania vessels, which form an important part of the state's future tourism and freight needs, is obviously a significant decision, and we are working closely with our shareholder ministers and relevant government agencies on the issue.

CEO Bernard Dwyer and I are also consulting with a special Ship Replacement Sub-committee of the Cabinet, chaired by the Minister for Infrastructure and comprising the Premier and the Treasurer.

I would like to thank Mr Dwyer, his management team and every Spirit of Tasmania employee for their hard work during the year in delivering a world-class passenger and freight service. The team's contribution to achieve this year's results has been significant and should not be underestimated.

On behalf of all Directors, I would like to acknowledge the contributions of experienced director Rodney Chadwick AM and maritime education and training expert Dr Jeffrey Hawkins, who both retired from the Board in November 2016. Both Mr Chadwick and Dr Hawkins joined the Board in 2007 and made significant contributions to our deliberations and decision-making during their tenure.

The Board welcomed two new non-executive Directors in November 2016 – Captain Richard Burgess (who is also a member of the Vessel Replacement and Procurement Committee) and Helen Galloway (who has joined the Audit and Risk Committee). I look forward to working with them both.

I would also like to thank our shareholder ministers, the Minister for Infrastructure, Rene Hidding, and the Treasurer, Peter Gutwein, who have both demonstrated strong support for the Company during 2016/17.

Michael Grainger
Chairman

The TT-Line Board (from left): Helen Galloway, Robert Heazlewood, Claire Filson, Bernard Dwyer, Chairman Michael Grainger, Richard Burgess and Suzanne Ewart.

Report from the **Chief Executive Officer**

It is very pleasing to report on another extremely positive financial year for Spirit of Tasmania, in which we achieved record revenue through increased sailings, highest number of passengers carried since 2004 as well as record freight volumes.

Put simply, it was an outstanding year that continues to set up the Company for the long-term future.

Throughout the year, the Company remained committed to delivering the highest levels of customer service.

To help us meet our high standards, we implemented a new customer feedback survey allowing passengers to provide extensive feedback about all aspects of our performance.

I am pleased to note that this feedback has been overwhelmingly positive. Feedback is discussed and actioned as appropriate with changes implemented to enhance customer safety and travel experience.

In the 2016/17 reporting period the Company launched a new brand campaign – 'Be a Spirited Traveller' – that was designed to build on the success of the refurbished Spirit of Tasmania vessels.

The campaign, developed by creative agency Leo Burnett, increased Spirit of Tasmania's reach and attraction in our key target markets. The campaign's success is clearly reflected in the increasing passenger numbers referenced above and in the Chairman's message.

The TT-Line Leadership Team (from left): Kevin Maynard, Stuart Michael, Kylie Holandsjo, Ian Whitechurch, Bernard Dwyer, Erika Rojas, John McGrath, Kym Sayers, Tim Harlow, Paul Davis, and Nick Harriman.


SPIRIT OF TASMANIA
SPIRIT OF TASMANIA
SPIRIT OF TASMANIA I

Spirit **people**

Spirit of Tasmania employees are the Company's most valuable asset.

Their safety – as well as the safety of passengers – is of critical importance to the Company.

Spirit of Tasmania's injury prevention program – known as Lookout – continued through 2016/17.

We provided employees with manual handling and ergonomic training through the year. Employees also participated in strength and conditioning programs and mental health and wellbeing initiatives.

The safety and mental health activities are compulsory for all employees and build on work undertaken in previous years. The strength and conditioning element of the training is new this financial year.

Employees were also provided with the opportunity to participate in nutrition and general health activities.

The Company is committed to providing a working environment that is safe, fair, comfortable and free of all forms of inappropriate behaviour, and one in which every employee is treated with dignity and respect.

With this in mind, training and awareness programs continued in 2016/17 for all employees, specifically addressing the issue of appropriate workplace behaviour.

A new 'Spirited Leader' program commenced in the reporting period to further support and develop the organisation's leaders throughout all areas of the business.

Clockwise from top: Rue Dalit and Viviana Lopez (Terminal Services); Gemma Buttigieg (Terminal Services); and the crew from Spirit of Tasmania II testing a Fast Rescue Boat.

Community **support**

Spirit of Tasmania has been a strong supporter of Tasmanian organisations, charities and businesses for the life of its operations in the State.

Every year the Company's Sponsorship Committee evaluates hundreds of requests for sponsorship from Tasmanian and national charities and businesses seeking contra travel.

For the reporting period, Spirit of Tasmania donated approximately $140,000 worth of contra travel to community-based initiatives to assist with the delivery of events in Tasmania and Victoria.

Organisations that benefited included the Cradle Coast Tourism Forum, Devils in Danger, The Windeward Bound Trust, Edmund Rice Camps, Camp Quality, OARA Gala Ball, Rotary Club of Youngtown, Footscray Hospital and Kentish Arts, Commerce & Tourism.

The Sponsorship Committee donated nearly $9,000 worth of Spirit of Tasmania travel gift vouchers. Nearly $7,000 of these gift vouchers were donated to Tasmanian organisations, including the Battlescars Foundation in Tasmania, Cocktails for Cancer, Think Pink, Mersey Community Care, Heart Foundation, A Night for Cystic Fibrosis, Kyla's Foundation and the Save the Children Illumination Ball.

The 2017 AFL season was the first year of a five-year sponsorship extension between Spirit of Tasmania, the AFL and the North Melbourne Football Club to play three AFL games a year at Blundstone Arena in Hobart.

The Board approved a five-year exclusive games partnership, becoming the sole match-day naming rights sponsor, with the North Melbourne Football Club.

The Company's relationship with North Melbourne Football Club since 2012 has delivered significant brand recognition in Spirit of Tasmania's key markets and has had a positive affect on the broader economy in southern Tasmania, particularly in hotel and restaurant businesses that benefit from increased activity during football game weekends.

Spirit of Tasmania supported the 2016 Spirit of Tasmania Tour of Tasmania, one of the pinnacle cycling events in the National Road Series calendar in Australia.

The 2016 tour was predominantly held in northern Tasmania to showcase the variety of cycling opportunities available.

Approximately 300 competitors, support staff, crew, officials, media and volunteers were directly associated with the cycling event.

Spirit of Tasmania is also a sponsor of the Tasmanian Institute of Sport (TIS) Racing Team which provides opportunities for scholarships, and established male and female athletes to represent Tasmania in the National Road Series.

Spirit of Tasmania supported Tour de Cure - a cycling foundation dedicated to raising funds and awareness in the fight against cancer – with their 2017 Signature Tour from Hotham to Hobart.

In March 2017, 128 passengers, 93 bikes and various support vehicles travelled on board from Melbourne to Devonport for the tour.

Spirit of Tasmania and the Maritime Union of Australia hosted their third joint charity luncheon in Melbourne to support White Ribbon Day in November 2016.

A total of $66,000 was raised for White Ribbon Australia, the country's only national, male-led prevention campaign to end men's violence against women.

Brand

Extensive independent brand research commissioned by Spirit of Tasmania found brand recall and engagement among consumers continued to be highly positive.

The Company's brand engager score was 105, up from 103 last year. This means the connection between consumers and the brand continues to grow.

The work, undertaken by market research agency Hall & Partners Open Mind, found that advertising recall continued to have a strong focus on Spirit of Tasmania's core value proposition of "taking your vehicle" and "a relaxing way to travel".

Spirit of Tasmania is identified as a fun and unique way to travel, offering the greatest differential from competing airlines.

Prompted awareness of Spirit of Tasmania among people aged between 18 and 34 had significantly increased to 67 per cent, up from 52 per cent. This follows the introduction of the new 'Be a Spirited Traveller' creative which launched in January 2017 with a more youthful appeal.

The older cohort of 55+ years continues to remain the most engaged group, displaying the highest level of conviction, commitment and advocacy towards Spirit of Tasmania.

Overall, Spirit of Tasmania enjoyed significant gains in brand participation, advocacy and connection among all survey participants.

The gains in these brand elements over the past 12 months coincide with the launch of 'Be a Spirited Traveller' which has further improved Spirit of Tasmania's position in the market.


SPIRIT OF TASMANIA

Marketing

In the 2016/17 reporting period the Company launched a new brand campaign – 'Be a Spirited Traveller' – that leveraged the popularity of the refurbished Spirit of Tasmania vessels.

The campaign targeted "spirited travellers" - those who like to travel in their own way, and who would rather take their own car, take more time and have a memorable on-board experience before setting out on their Tasmanian holiday.

The campaign was created by advertising agency Leo Burnett, appointed through a tender process in September 2016.

Media agency Maxus, was reappointed to provide media planning and buying services for another three years.

In 2016/17, Spirit of Tasmania delivered 11 major campaigns; four brand and seven retail campaigns across television, radio, press, cinema and outdoor billboards over 40 weeks of the year. The campaigns were supported by digital advertising over the full year.

In June 2017, Spirit of Tasmania launched a new content marketing campaign 'Be a Spirited Adventurer' to inspire people to explore their passion for food, wine, nature, culture and adventure in Tasmania.

The campaign was an extension of the overarching 'Be a Spirited Traveller' brand concept and featured road trip itineraries, videos, blogs and must-do experiences.

Following the launch of a new-look and mobile responsive website and Internet Booking Platform (IBP) in 2015/16, online bookings increased by a further 2.4 per cent during the reporting period. The greatest increase was seen with bookings via mobile devices which increased 22 per cent.

Strong growth continued throughout the year across all social media channels with a significant increase achieved in followers on Instagram. Spirit of Tasmania's overall social media audience grew by nearly 20 per cent compared to 2015/16. Facebook increased by 17 per cent, YouTube by nearly 27 per cent and Instagram by 95 per cent.

Spirit of Tasmania continued to work closely with Tourism Tasmania throughout the year and partnered to deliver two campaigns - 'Tassie's Unique Experiences' and 'Tasmania's Top 10 Walks'.

In 2016/17 more than 71 per cent of passengers that travelled with Spirit of Tasmania were from mainland Australia – 39 per cent from Victoria, 17 per cent from New South Wales and the Australian Capital Territory and six per cent from Queensland, with the remaining nine per cent from other mainland states and the Northern Territory.

Nearly 90 per cent of passengers travelled with a vehicle.

Information gathered as part of customer feedback revealed that nearly 60 per cent of passengers said the main reason for their travel was to take a holiday and more than 80 per cent of passengers said taking their car was the main reason for choosing to travel by ship. Seventy per cent of passengers said they were likely to travel on Spirit of Tasmania again.


BE A Spirited TRAVELLER
FEEL THE VIEW
ADULTS FROM $69*
KIDS FROM $29*
The spirited traveller is seduced by sun, salty sea breezes and wide-open spaces. So set sail by day to wander and soak up the sights.
Book online at **spiritoftasmania.com.au**
SPIRIT OF TASMANIA


BE A Spirited TRAVELLER
TAKE YOUR KINDRED SPIRIT
PACKAGE FOR TWO $339*
The spirited traveller enjoys good company. So raise a glass of Tasmania's finest with your fellow companions as you set sail on your Tasmanian adventure.
Book online at **spiritoftasmania.com.au**
SPIRIT OF TASMANIA


BE A Spirited TRAVELLER
SHARE THE MOMENT
CABIN & CAR PACKAGES FROM
$299*
EACH WAY
The spirited traveller knows the best moments in life are shared. So pack the car and set sail with your kindred spirit. Take in every moment on board before drifting off to sleep in your cabin dreaming of tomorrow's adventures.
Book online at **spiritoftasmania.com.au**
SPIRIT OF TASMANIA


BE A Spirited TRAVELLER
SPIRIT OF TASMANIA
APN
EST
1875
HOTEL
YOUNG & JACKSON

Retail and **hospitality**

Spirit of Tasmania maintained a strong focus on Tasmanian produce during the 2016/17 reporting period – more than 90 per cent of wine and 80 per cent of food served to our passengers was sourced through Tasmanian suppliers.

The Tasmanian Market Kitchen (TMK) on deck seven continued to offer a rotating seasonal menu, highlighting Tasmanian seafood and flavours from around the state.

The highly successful Flavours of Tassie program – which allows local producers to showcase their craft beverages and gourmet foods to passengers en route to Tasmania – continued in 2016/17.

New producers this year included Emilia Wines, Forager Foods, Franks Cider, Iron House Brewery, Kooee Snacks, Late Rights Brewing Company, Pagan Cider, Rocky Gardens, Swinging Gate Wines, Tasmanian Chilli Beer Co and The Backyard Bee.

The Company is focused on delivering high levels of customer service and delivering on its brand promise of "exceptional passenger service". In July 2016, a customer feedback program called Clarabridge was introduced.

All passengers are sent a survey via email to provide immediate feedback on their sailing experience and the Company's performance, from the time the booking is made through to disembarkation.

This feedback has been very positive with customers rating our performance on average 93.2 out of 100.

Ongoing training is a key activity for Retail and Hospitality team members. During 2016/17, all team managers participated in the 'Spirited Leader' program that covered a range of modules focused on effective leadership.

Service training remained at the forefront of Retail and Hospitality crew training, together with food safety through the Hazard Analysis Critical Control Point.

Enhancing the passenger experience, musicians and entertainers performed on board the vessels during the reporting period. An acoustic singer performed on every night sailing with additional entertainers performing on day sailings throughout the summer period. All performers were from Tasmania.


TOURISM HUB

Safety **and reliability**

As noted in the Chairman's message, the safe operation of Spirit of Tasmania's two vessels is of vital importance to the Company.

Given the critical infrastructure role the vessels play in the provision of perishable freight services and carrying people to and from the state of Tasmania, safety and reliability is a key operational goal.

To achieve this, the vessels undergo an intensive maintenance program that keeps machinery, lifesaving equipment and service equipment in optimal condition.

A major focus of the safety and reliability task is the biennial dry dock at Garden Island in Sydney of each vessel.

In July/August 2016, Spirit of Tasmania II was dry-docked while Spirit of Tasmania I continued to operate her normal schedule between Devonport and Station Pier.

Spirit of Tasmania II received many machinery upgrades during the dry dock period including refurbished starboard stabilizer, a new fast rescue boat, new garbage compactor and new public address and general alarm systems.

Significantly, the vessels celebrated their 19th birthday on 28 February (Spirit of Tasmania II) and 31 March (Spirit of Tasmania I) 2017 respectively.

Of these 19 years of service 14-and-a-half-years have been under TT-Line's stewardship.

For a passenger ship, these dates also represent the conclusion to a survey cycle and the commencement of a new cycle.

Both vessels must undergo an intensive inspection of ballast tanks, fuel oil spaces, machinery and electrical equipment. Lifesaving and firefighting appliances are also inspected.

Both Spirit of Tasmania I and II completed their surveys on time and without encumbrance, and both were awarded new certificates of Class Compliance to mark the achievement.

The vessels completed every scheduled sailing throughout the year without incident.

Environment

In 2016/17, TT-Line Company Pty Ltd completed reporting under the Federal Government's *National Greenhouse and Energy Reporting Act 2007* (NGER) for the 2015/16 year.

The Company's report under NGER was submitted to the appropriate Federal Government department before the required deadline of 31 October 2016.

TT-Line will report on its 2016/17 NGER data by 31 October 2017.

Public Interest **Disclosure**

Hard Copies of Spirit of Tasmania's Public Interest Disclosure Policy can be obtained by contacting the General Manager Corporate Services.

In accordance with the requirements of section 86 of the Public Interest Disclosures Act 2002 (the Act), Spirit of Tasmania advises that:

- No disclosures of public interest were made to Spirit of Tasmania during the year.
- No public interest disclosures were investigated during the year.
- No disclosed matters were referred during the year by Spirit of Tasmania to the Ombudsman to investigate.
- No investigations of disclosed matters were taken over by the Ombudsman from Spirit of Tasmania during the year.
- There were no disclosed matters that Spirit of Tasmania decided not to investigate during the year.
- There were no disclosed matters that were substantiated on investigation as there were no disclosed matters.
- The Ombudsman made no recommendations under the Act that relate to Spirit of Tasmania.

In closing, I would also like to thank the Minister for Infrastructure, Rene Hidding, and the Treasurer, Peter Gutwein, who have both demonstrated a strong commitment to the Company.

I would also like to extend my sincere thanks to the Directors of TT-Line for their guidance and wise counsel, and thank the dedicated and hardworking team at Spirit of Tasmania.

The 2016/17 results would not have been possible without the efforts of all staff and crew.

Their collective effort in making passenger convenience and safety their number-one priority has clearly played a key part in the Company's success in the reporting period.

Bernard Dwyer
Chief Executive Officer

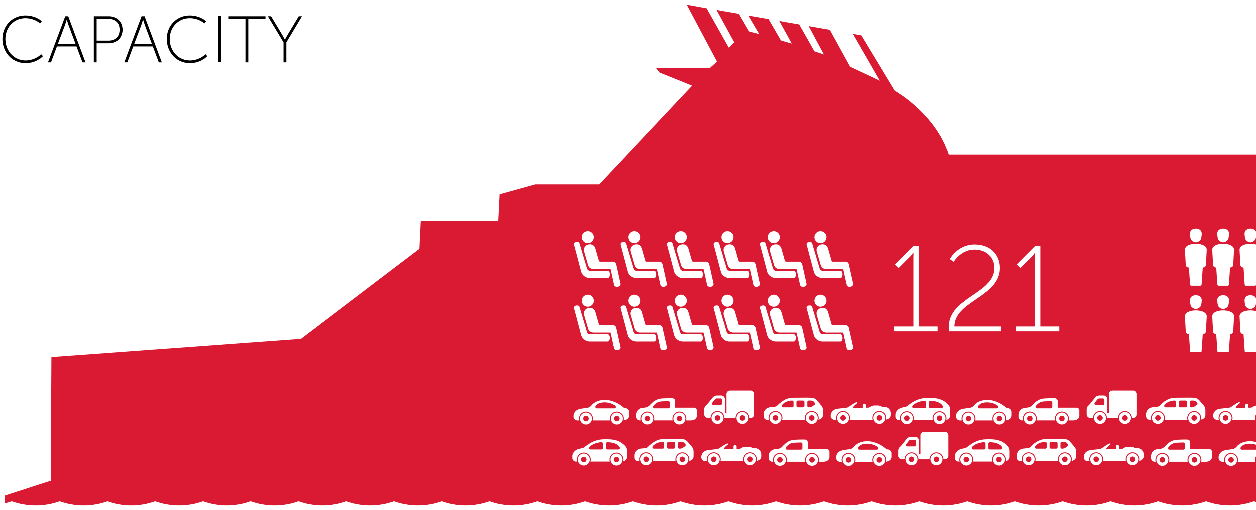
Ship facts

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

OVERALL LENGTH
194.33M

GROSS TONNAGE
29,338

CAPACITY



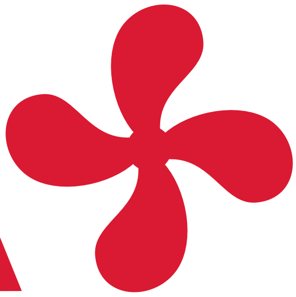
- 59 TWIN BED PORTHOLE CABINS
- 72 FOUR BED PORTHOLE CABINS
- 8 DELUXE CABINS
- 222 TOTAL CABINS
- 121 RECLINERS

SPEED, TIME & DISTANCE

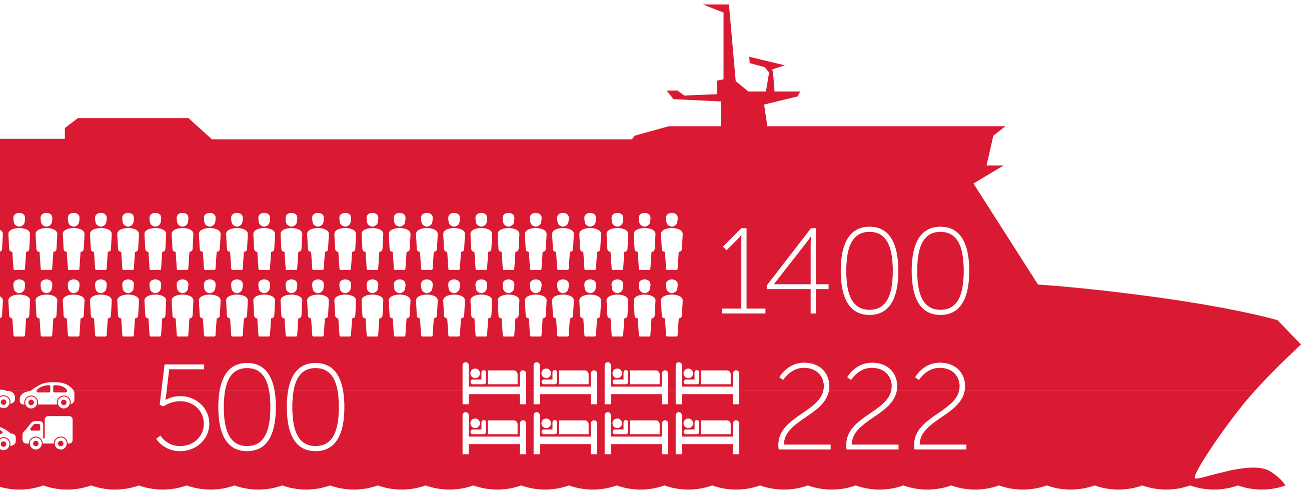
AVERAGE SPEED IN KNOTS 27
EQUALS 50 KM/HR

CROSSING TIME (HRS)
9-11

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



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



- 81 TWIN BED/FOUR BED INSIDE CABINS
- 2 WHEELCHAIR ACCESSIBLE CABINS
- LICENSED TO CARRY 1400 PASSENGERS AND 500 STANDARD VEHICLES

DISTANCE FROM
MELBOURNE TO DEVONPORT
429KM
232 NAUTICAL MILES

EXPLANATION OF THE NUMBERS STATEMENT[1]

FOR THE YEAR ENDED 30 JUNE 2017

	2017 $'000	2016 $'000
Revenue from operations[2]		
Spirit of Tasmania	227,425	216,930
Other revenue	1,920	1,982
	229,345	**218,912**
Expenses from operations[2]		
Spirit of Tasmania	(179,535)	(182,980)
Other expenses	(1,960)	(1,943)
	(181,495)	**(184,923)**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**47,850**	**33,989**
Depreciation and amortisation		
Spirit of Tasmania	(20,020)	(17,466)
Other	(70)	(69)
	(20,090)	**(17,535)**
Earnings before interest and tax (EBIT)	**27,760**	**16,454**
Interest expense	(344)	(363)
Interest income	2,932	2,573
Underlying profit	**30,348**	**18,664**
Represented as follows:		
Spirit of Tasmania	30,458	18,694
Other	(110)	(30)
Underlying profit	**30,348**	**18,664**
Reconciliation to audited profit for the period		
Underlying profit	30,348	18,664
Accounting adjustments		
Revaluation of asset adjustment	5,519	8,271
Taxation (expense)/benefit	(10,770)	(8,090)
Profit for the period – audited	**25,097**	**18,845**

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

Annual Financial Report

FOR THE YEAR ENDED 30 JUNE 2017

ABN 39 061 996 174

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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 Company's Constitution. All efforts in this regard must be made in accordance with the *TT-Line Arrangements Act 1993* (Tas), which states: '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 objective
- 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
- 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 on the following page.

For more information about the Directors, see the 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) C Filson H Galloway M Grainger	S Ewart (Acting Chair) M Grainger	M Grainger (Chair) Captain R Burgess B Dwyer S Ewart C Filson H Galloway R Heazlewood	M Grainger (Chair) Captain R Burgess 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 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 52 per cent of the Company's employees were female and 48 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 their representative, attends Audit and Risk Committee meetings 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. It 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 CEO and CFO have assured the Board 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 oversee the establishment, implementation and periodic review of the Company's risk management system. Management has established and implemented a system for assessing, monitoring and managing risks, including operational, financial and compliance risks.

The Audit and Risk Committee recognises that risk management and compliance is 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 affect 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, including the cost of controlling it, with the potential benefits from exposure to 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:

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

The Company has identified the following potential economic and environmental risks, and ways of mitigating them:

- 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 analyses
- 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 analyses.

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. It 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 Remuneration Committee formally reviews the CEO's remuneration annually. These reviews are then recommended to the Board for approval. The CEO conducts annual formal performance appraisals of all direct-reporting senior executive team members.

DIRECTORS' REPORT

The Directors of TT-Line submit the annual financial report of the Company for the financial year ended 30 June 2017. 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, 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.

Capt. Richard Burgess

Capt. Burgess is a member of the Board having joined as a non-executive Director in November 2016. He is also a member of the Vessel Replacement and Procurement Committee.

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, Chairperson of its Finance Committee; Chairperson of Cell Therapies Pty Ltd and a member of its Audit and Risk Committee. Ms Ewart was a Director of the Treasury Corporation of Victoria and Chairperson of its Audit Committee until February 2017. Ms Ewart was also Chairperson of the Box Hill Institute Board until 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 of three local council audit committees and the Victorian Department of Premier and Cabinet.

Ms Helen Galloway

Ms Galloway joined the Board in November 2016 as a non-executive Director and is a member of the Audit and Risk Committee. Ms Galloway is a Director of Tasracing and a member of its Audit and Risk Committee and Asset and Safety Committee. She has previously held a number of other board positions, including the Singapore Hockey Federation.

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.

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 Tasmania Board and a member of the Tasmanian State Government's Access Working Group.

Retirements

Mr Rodney Chadwick AM

Mr Chadwick AM joined the Board in 2007 and retired in November 2016.

Dr Jeffrey Hawkins

Dr Hawkins joined the Board in 2007 and retired in November 2016.

The previous mentioned Directors held office during the entire financial year and have continued to do so since the end of financial year, except for:

- Mr Rodney Chadwick AM – who retired in November 2016
- Dr Jeffrey Hawkins – who retired in November 2016
- Capt. Richard Burgess – who was appointed in November 2016
- Ms Helen Galloway – who was appointed in November 2016

Remuneration of Directors and key management personnel

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 $231.8 million (2016: $220.9 million) and a profit for the year ended 30 June 2017 of $25.1 million (2016: $18.8 million).

The 2016/17 financial year represented the third year of the Company's new strategic plan. The plan 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
- reduce 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 number of sailings increased by three per cent over the prior year to 838 (2016: 814), including an additional 17 day sailings. This was the highest number of day sailings operated by the Company since 2004. During the financial year 433,925 passengers travelled with the Company, an increase of four per cent over the prior year (2016: 418,831). This was the highest number of passengers carried on the current vessels since 2004. The Company's ability to continue to increase the number of day sailings in peak periods is now limited without compromising schedule reliability.

The increase in passenger numbers was also assisted by an average passenger fare decrease, in real terms, of two per cent* year on year, bringing the cumulative decrease since the new strategic plan was implemented in 2014 to 14.9 per cent. The average passenger fare has decreased at a higher rate, and in a shorter time, than set out in the plan. This has been realised through more lower–cost day sailings and changes to promotional fares.

Freight volumes were the highest on record, at 103,430 twenty–foot equivalent units (TEUs) (2016: 100,626).

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 does not materially increase freight volumes carried on the vessels. The anticipated addition of competitor capacity over the next two years will also increase the difficulty in continuing to grow this revenue.

The vessels were valued at €65 million each as at 30 June 2017. This value hasn't changed from the 30 June 2016 valuation. It reflects the strong ferry resale market, the quality of the current vessels and reduced short-term new-build capacity. Despite the vessels maintaining their value this year, they are depreciating assets and their value can be normally expected to decrease each year.

The effect of the Company's new strategic plan to refurbish the vessels, increase day sailings and offer lower fares delivered record total operating revenue of $227.8 million. This record revenue, combined with strong cost control, also delivered the Company's highest profit after tax of $25.1 million.

* In comparable terms relative to the 14.8 per cent in the Company's strategic plan.

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 2016/17 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 future operations, and the expected outcomes 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 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

A special dividend of $40.0 million was declared and paid during the 2016/17 financial year.

Indemnity and insurance for officers and auditors

The Company paid $36,000 in insurance premiums for the year 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, except for 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 2017

Position	**Number of trips**	**Cost of travel $'000**
Directors	–	–
CEO	3	52
Company Representatives	6	101

Auditor's independence declaration

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

Rounding off

The Company is of the kind referred to by the Australian Securities and Investments Commission (ASIC) in its *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. In accordance with that instrument, amounts in the Directors' report have been rounded 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, four Audit and Risk Committee meetings, two Remuneration Committee meetings, two Vessel Replacement and Procurement Committee meetings and two Director Nomination Committee meetings.

	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	4	4	2	2	2	2	2	2
Capt. R Burgess	5	6	–	–	–	–	–	1	2	2
Mr R Chadwick, AM	5	5	2	2	1	1	–	–	–	–
Ms S Ewart	11	11	4	4	2	2	2	2	2	2
Ms C Filson	10	11	3	4	–	–	–	–	2	2
Ms H Galloway	6	6	2	2	–	–	–	–	2	2
Dr J Hawkins	5	5	–	–	–	–	–	–	–	–
Mr R Heazlewood	10	11	–	–	–	–	–	–	1	2
Mr B Dwyer	10	11	–	–	–	–	2	2	2	2

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, 14 August 2017

Tasmanian Audit Office

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

14 August 2017

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 statements of TT-Line Company Pty Ltd for the financial year ended 30 June 2017, 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

Ric De Santi
Deputy Auditor-General
Delegate of the Auditor-General

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

Strive | Lead | Excel | To Make a Difference

Tasmanian Audit Office

Independent Auditor's Report

To the Members of TT-Line Company Pty Ltd

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of TT-Line Company Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2017 and the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In my opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended

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

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further 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.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Valuation of vessels and Depreciation expense *Refer to notes A2 & B2*	
The Company's vessels, \$193.37m, were recognised at fair value based on an independent market valuation performed by external experts. The valuation is impacted by market factors and foreign currency exchange rates. Fluctuations in vessel valuations can have significant impact on the Company's results and financial position. The calculation of depreciation of the vessels, \$17.61m, included estimation of useful lives and residual values which involved a high degree of subjectivity. Changes in useful lives or residual values can significantly impact the depreciation charged.	• Evaluating the valuation methodology used and work performed by management's expert. • Assessing the competence of management's expert in accordance with Auditing Standards. • Examining the treatment of capital and maintenance expenditures and considering their impact on the vessels' valuation. • Evaluating depreciation methodology, including judgements and assumptions used. • Reviewing the calculation of vessel depreciation. • Assessing the adequacy of relevant disclosures in the financial report.

Revenue from the provision of services and Revenue received in advance
Refer to notes A1 & B5

Significant revenue was processed through the Company's reservation system, $213.44m, the majority of which was through internet bookings.

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

Revenue received in advance, $16.01m, was a significant liability at year-end for the Company.

- Evaluating the design and implementation of relevant application controls in the reservations system.
- Confirming processing controls to support the completeness, accuracy and integrity of booking transactions originating online and processed through the reservations system.
- Examining reconciliations of information from the reservation system to the general ledger.
- Reviewing and assessing internal audit work and placing reliance where applicable
- Performing analytical procedures to assess revenue generated.

Defined benefit obligation
Refer to notes C1 & C3

The Company had employees who were members of a defined benefit superannuation scheme. The Company's obligation under the scheme (less fair value of plan assets) was recognised in the statement of financial position and was valued at $7.23m at 30 June 2017.

The value of the superannuation liability and movements recognised in the financial report were based on an annual valuation which was based upon a number of actuarial assumptions.

- Assessing the competence of the State actuary that performed the valuation.
- Reviewing information provided to the actuary.
- Engaging an independent expert to assist with evaluating the reasonableness of the assumptions used by the State Actuary in determining the liability.
- Assessing the adequacy of relevant disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Corporate Governance Statement and Directors' Report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities 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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report

to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ric De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Tasmanian Audit Office

14 August 2017

Hobart

DIRECTORS' DECLARATION

1. In the opinion of the Directors of the Company:

   a) the financial statements and notes that are set out on pages 42 to 73 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 2017 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 2017.

3. The Directors draw attention to page 42 of the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

4. The Directors certify that the Company has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* (Cth) for any employee for which the Company makes superannuation guarantee contributions who is or becomes a member of a complying superannuation scheme, or a retirement savings account (RSA) other than the Contributory Scheme (section 55 of the *Public Sector Superannuation Reform Act 2016* (Tas)).

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, 14 August 2017

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
REVENUE			
Operating revenue	A1	227,837	217,324
Investment revenue	A1	2,932	2,573
Other revenue	A1	965	1,013
Other gains	A1	96	14
Total revenue		**231,830**	**220,924**
Employee benefit expenses	A2	(70,324)	(68,977)
Other expenses	A2	(130,814)	(132,920)
Finance costs	A2	(344)	(363)
Asset revaluation	B2	5,519	8,271
PROFIT BEFORE TAX		**35,867**	**26,935**
Tax-equivalent (expense)	A3	(10,770)	(8,090)
PROFIT FOR THE YEAR		**25,097**	**18,845**

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
PROFIT FOR THE YEAR		**25,097**	**18,845**
Other comprehensive income/(expense) for the year, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Recognised actuarial gains/(losses)	C3	1,629	(2,068)
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	(489)	621
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging reserve gains/(losses)	D3	4,851	1,232
Tax-equivalent (expense)/benefit on items of comprehensive income	A3	(1,455)	(370)
Total other comprehensive income/(expense) for the year, net of tax		**4,536**	**(585)**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**29,633**	**18,260**

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents		105,895	110,425
Trade and other receivables	B1	13,377	13,094
Inventories	B6	2,846	2,032
Other	B1	2,680	2,303
TOTAL CURRENT ASSETS		**124,798**	**127,854**
NON-CURRENT ASSETS			
Property, plant and equipment	B2	205,460	205,923
Intangibles	B3	2,743	2,269
Deferred tax asset (net of deferred tax liability)	A3	3,152	15,866
Other	B1	1,089	2,472
TOTAL NON-CURRENT ASSETS		**212,444**	**226,530**
TOTAL ASSETS		**337,242**	**354,384**
CURRENT LIABILITIES			
Trade and other payables	B5	13,102	12,285
Provisions	C1	13,203	13,176
Other	B5	17,105	22,544
TOTAL CURRENT LIABILITIES		**43,410**	**48,005**
NON-CURRENT LIABILITIES			
Provisions	C1	9,106	10,456
Other	B5	256	1,086
TOTAL NON-CURRENT LIABILITIES		**9,362**	**11,542**
TOTAL LIABILITIES		**52,772**	**59,547**
NET ASSETS		**284,470**	**294,837**
EQUITY			
Share capital		328,981	328,981
Cash flow hedging reserve	D3	682	(2,714)
Accumulated losses		(60,749)	(60,749)
Profits reserve	D1	15,556	29,319
TOTAL EQUITY		**284,470**	**294,837**

This statement should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Share capital $'000	Cash flow hedging reserve $'000	Accumulated losses $'000	Profits reserve $'000	Total $'000
Balance at 1 July 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**
Profit for the year		–	–	25,097	–	**25,097**
Transfers	D1	–	–	(26,237)	26,237	**–**
Other comprehensive income/(expense) for the year	D3	–	3,396	1,140	–	**4,536**
Total comprehensive income/(expense) for the year		**–**	**3,396**	**–**	**26,237**	**29,633**
Payment of Dividends		–	–	–	(40,000)	**(40,000)**
Balance at 30 June 2017		**328,981**	**682**	**(60,749)**	**15,556**	**284,470**

This statement should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		272,113	265,877
Interest received		2,816	2,996
Cash payments in the course of operations		(224,972)	(224,603)
Net cash provided by operating activities	**A4**	**49,957**	**44,270**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		198	159
Payments for property, plant and equipment and major cyclical maintenance		(14,685)	(24,204)
Dividend paid		(40,000)	–
Net cash (used) by investing activities		**(54,487)**	**(24,045)**
Net increase in cash held		(4,530)	20,225
Cash and cash equivalents at the beginning of the financial year		110,425	90,200
Cash and cash equivalents at the end of the financial year		**105,895**	**110,425**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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, and its phone number are:

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 the Company's financial statements, and notes to the financial statements, comply with standards devised by the International Financial Reporting Standards Foundation.

The Directors authorised the financial statements for issue on 14 August 2017.

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 Company's financial statements, 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's *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. In accordance with that instrument, amounts in the financial report are rounded 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.

During the reporting period, the following were key future assumptions and other key sources of estimation uncertainty 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

These 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 2017. The focus is on revenue, expenses and cash flow 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 breakdown of the Company's revenue from continuing operations for the period is shown below.

Operating revenue	2017 $'000	2016 $'000
Revenue from the provision of services	213,439	203,923
Revenue from the sale of goods	14,398	13,401
Operating revenue	**227,837**	**217,324**
Investment revenue[1]	**2,932**	**2,573**
Other revenue[2]	**965**	**1,013**
Other gains[3]	**96**	**14**
Total operating revenue	**231,830**	**220,924**

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 passenger 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 is 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	2017 $'000	2016 $'000
Defined contribution plans	5,040	4,853
Defined benefit plans	229	161
Termination benefits[1]	545	188
Other employee benefits	64,510	63,775
Total employee benefit expenses	**70,324**	**68,977**

Other expenses	2017 $'000	2016 $'000
Depreciation	18,876	16,040
Amortisation[2]	1,214	1,495
Terminal operations	31,099	30,108
Administration[3]	12,204	11,893
Security	3,453	3,393
Food and beverages	3,788	3,363
Consumables	5,092	4,966
Repairs and maintenance	9,279	11,317
Bunker fuel and oil	33,964	37,698
Customer acquisition	11,845	12,647
Total other expenses	**130,814**	**132,920**

Finance costs	Note	2017 $'000	2016 $'000
Total finance costs[4]	**C3**	**344**	**363**

1. Annual leave, long service leave and other entitlements paid on termination
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 laws on income tax assessment.

Income tax expense includes the sum of the tax currently payable and deferred tax. The major components of tax expense recognised in profit for the year are shown below.

Tax-equivalent expense	2017 $'000	2016 $'000
Origination and reversal of temporary differences:		
Increase in deferred tax liability	2,211	2,813
Decrease in deferred tax asset	8,559	5,277
Total tax-equivalent expense	**10,770**	**8,090**

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

Current period tax expense reconciliation	2017 $'000	2016 $'000
Profit before tax-equivalent expense	35,867	26,935
Prima facie tax-equivalent expense[1]	**10,760**	**8,081**
Non-deductible entertainment	10	9
Tax-equivalent expense recognised in the current period[2]	**10,770**	**8,090**

1. The tax rate used for the 2017 reconciliation is the corporate tax rate of 30 per cent (2016: 30 per cent) payable by Australian corporate entities on taxable profits under Australian tax law.
2. Related to continuing operations.

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

Tax recognised in other comprehensive income	2017 $'000	2016 $'000
Tax-equivalent impact of actuarial gains/(losses)	489	(621)
Tax-equivalent impact of revaluation in cash flow hedging reserve	1,455	370
Net tax-equivalent (benefit)/expense attributable to transactions recognised in other comprehensive income	**1,944**	**(251)**

Recognition and measurement

Current tax

The tax currently payable is based on taxable profit for the period ending 30 June 2017. 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:

2017		Balance at 1 July 2016 $'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 2017 $'000
Deferred tax assets	Employee provisions	6,858	–	215	(489)	6,584
	Other provisions	2	–	–	–	2
	Other accruals	286	–	(286)	–	–
	Tax losses	12,920	–	(8,488)	–	4,432
	Total deferred tax assets	**20,066**	**–**	**(8,559)**	**(489)**	**11,018**
Deferred tax liabilities	Consumables	(398)	–	44	–	(354)
	Property, plant and equipment	(4,471)	–	(2,209)	–	(6,680)
	Provisions	(494)	–	(46)	–	(540)
	Derivative asset – hedging	1,163	–	–	(1,455)	(292)
	Total deferred tax liabilities	**(4,200)**	**–**	**(2,211)**	**(1,455)**	**(7,866)**
Net deferred tax assets		**15,866**	**–**	**(10,770)**	**(1,944)**	**3,152**

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
	Total deferred tax assets	**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)
	Total deferred tax liabilities	**(2,550)**	**–**	**(2,813)**	**–**	**(5,363)**
Net deferred tax assets		**23,705**	**–**	**(8,090)**	**251**	**15,866**

Tax benefits not recognised

Tax benefits not recognised as deferred tax assets were capital losses of $116,000 (2016: $116,000).

A4 Cash flows

The reconciliation of profit for the year to net cash provided by operating activities at the reporting date is shown below.

Cash provided by operating activities	2017 $'000	2016 $'000
Profit for the year	**25,097**	**18,845**
Gain on the sale of assets	(96)	(14)
Asset impairment	(5,519)	(8,271)
Depreciation	18,876	16,040
Amortisation	1,214	1,495
Income tax expense	10,770	8,090
Movements in working capital		
(Increase)/decrease in trade and other receivables	(283)	2,893
(Increase)/decrease in inventories	(814)	704
(Increase)/decrease in prepaid expenses and other	532	1,261
Increase/(decrease) in trade and other payables	949	739
Increase/(decrease) in revenue received in advance	(1,075)	1,535
Increase/(decrease) in provisions[1]	306	953
Net cash provided by operating activities	**49,957**	**44,270**

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	2017 $'000	2016 $'000
Trade receivables	11,414	11,345
Allowance for impairment	(7)	(6)
Total trade receivable	**11,407**	**11,339**
Other receivables	1,970	1,755
Total trade and other receivables	**13,377**	**13,094**

Allowances for impairment are recognised against trade receivables greater than 60 days. They are 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 trade receivable balances shown below have not been impaired as a result of past experiences with counterparties.

Ageing past due but not impaired	2017 $'000	2016 $'000
60–90 days	414	73
90–120 days	38	32
Total ageing past due but not impaired	452	105

The composition of other assets at the reporting date is shown below.

Other assets	2017 $'000	2016 $'000
Derivative asset – fuel hedge[1]	2,320	2,798
Prepaid expenses and other	1,449	1,977
Total other assets	**3,769**	**4,775**
Current	2,680	2,303
Non-current	1,089	2,472
Total other assets	**3,769**	**4,775**

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 (2016: 24 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 were 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 2017 are shown below.

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	179,442	15,001	11,115	1,900	500	207,958
Accumulated depreciation	–	(8,983)	(7,965)	–	–	(16,948)
Opening net book value 1 July 2015	**179,442**	**6,018**	**3,150**	**1,900**	**500**	**191,010**
Movements in net book value						
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**
Movements in net book value						
Acquisitions	2,637	549	916	74	–	4,176
Major cyclical maintenance	9,279	–	–	–	–	9,279
Disposals	–	–	(102)	–	–	(102)
Depreciation and amortisation	(17,608)	(459)	(1,193)	(75)	–	(19,335)
Asset revaluation	5,222	–	–	297	–	5,519
Gross book value	193,366	15,918	13,022	2,150	500	224,956
Accumulated depreciation	–	(9,890)	(9,606)	–	–	(19,496)
Closing net book value 30 June 2017	**193,366**	**6,028**	**3,416**	**2,150**	**500**	**205,460**

Recognition and measurement

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

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 that case, the increase is credited to profit or loss to the extent of the decrease previously expensed. In this regard, $8.9 million of impairment expense recognised in profit or loss in previous years relating to the current vessels may be credited to the profit in future periods should the fair value of the vessels exceed the carrying amount as at the date of measurement at future reporting dates.

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 as at 30 June 2017. As the prevailing market for these types of vessels is predominantly in Europe, the valuation is provided in euros and translated at the prevailing exchange rate on the reporting date. No allowance was made for transport costs as they cannot be reliably determined.

The valuation of each vessel, in Australian dollars, decreased from $96.9 million to $96.7 million between 2016 and 2017. The value in euros has remained at €65 million. The $0.5 million decrease in the fair value of both vessels was the result of an unfavourable movement in the Australian dollar and euro exchange rate and the increase in valuation. In addition to the $0.5 million decrease in fair value for both vessels during the year, they were depreciated by $17.6 million during the year and also underwent $11.9 million worth of improvements and periodic maintenance. The result of these movements was a $5.2 million vessel revaluation increment, which is 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 $144.0 million.

Buildings

Australian Property Institute member Matthew J Page of the independent valuer Knight Frank assessed the land and buildings of the Edgewater Hotel to determine their value at 30 June 2017. The freehold land has remained at cost and the buildings were measured at fair value. The valuation was determined by reference to market transactions on arm's length terms.

Asset revaluation recognised in profit or loss	**2017 $'000**	**2016 $'000**
Vessels		
Increase/(decrease) in fair value	(470)	14,394
Improvements and periodic maintenance	(11,916)	(21,111)
Gross revaluation (decrement)	**(12,386)**	**(6,717)**
Depreciation	17,608	14,988
Vessel revaluation recognised in profit or loss	**5,222**	**8,271**
Buildings		
Increase in fair value	250	–
Improvements	(97)	–
Gross revaluation increment	**153**	**–**
Depreciation	144	–
Building revaluation recognised in profit or loss	**297**	**–**
Total asset revaluation recognised in profit or loss	**5,519**	**8,271**

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 $1.0 million decrease or $1.2 million increase in depreciation in the statement of profit or loss, and a corresponding $1.0 million increase or $1.2 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

The company has committed capital expenditure for the vessel's biennial dry dock of $9.1 million.

B3 Intangible assets – software

The reconciliation of the opening and closing balances of intangible assets at the reporting date are shown below.

Intangible assets – software	2017 $'000	2016 $'000
Gross book value	6,124	5,196
Accumulated amortisation	(3,855)	(2,808)
Opening net book value at 1 July	**2,269**	**2,388**
Acquisitions	1,229	928
Amortisation	(755)	(1,047)
Gross book value	7,353	6,124
Accumulated amortisation	(4,610)	(3,855)
Closing net book value 30 June	**2,743**	**2,269**

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 for indications that they have suffered an impairment loss. If there is any such indication, 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 shown below.

Trade and other payables	2017 $'000	2016 $'000
Trade and other payables	**13,102**	**12,285**

Other liabilities	2017 $'000	2016 $'000
Derivative liability – fuel hedge	1,343	6,619
Derivative liability – foreign currency hedge	6	55
Revenue received in advance and other liabilities	16,012	16,956
Total other liabilities	**17,361**	**23,630**
Current	17,105	22,544
Non-current	256	1,086
Total other liabilities	**17,361**	**23,630**

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 22 days (2016: 20 days). The Company has financial risk management policies in place to ensure payables are paid within pre-arranged 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 shown below.

Inventories	2017 $'000	2016 $'000
Bunker fuel	956	915
Maintenance stock	1,296	671
Food and beverage stock	594	446
Total inventories	**2,846**	**2,032**

Recognition and measurement

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 $40.1 million (2016: $35.0 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 shown below.

Provisions	2017 $'000	2016 $'000
Workers compensation[1]	358	770
Long service leave	7,447	7,164
Annual leave	7,170	7,022
Employee incentives	108	269
Defined benefit obligation[2]	7,226	8,407
Total provisions	**22,309**	**23,632**
Current	13,203	13,176
Non-current	9,106	10,456
Total provisions	**22,309**	**23,632**

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) due to 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 shown below.

Significant actuarial assumptions at the reporting date

The following assumptions were used to determine the defined benefit obligations.

Director and key management personnel compensation	2017 $'000	2016 $'000
Short-term employee benefits	3,067	3,166
Post-employment benefits	223	233
Long-term benefits	(41)	(65)
Termination benefits	–	–
Total Director and key management personnel compensation	**3,249**	**3,334**

Remuneration principles

No key management personnel appointed during the period received a payment as part of their 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.

Key Management Personnel

The Company has a Board-endorsed remuneration policy that is consistent with the Tasmanian Department of Treasury and Finance's 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 include termination clauses that require the senior executive to provide a three month notice period, with the Company to provide a minimum six-month notice period before 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 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:

2017 Director remuneration	Directors' fees $'000	Committee fees $'000	Superannuation[1] $'000	Total $'000
Non-executive Directors				
Mr M Grainger – Chairman	79	5	8	92
Capt. R Burgess	25	–	2	27
Mr R Chadwick AM	16	2	2	20
Ms S Ewart	40	6	4	50
Ms C Filson	40	5	4	49
Ms H Galloway	25	1	2	28
Dr J Hawkins	16	–	2	18
Mr R Heazlewood	40	–	4	44
Executive Director[2]				
Mr B Dwyer – CEO	–	–	–	–
Total	**281**	**19**	**28**	**328**

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[2]				
Mr B Dwyer – CEO	–	–	–	–
Total	**273**	**19**	**28**	**320**

1. Superannuation means the contribution to the superannuation fund of the individual.
2. 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:

2017 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[7,8] $'000	Total $'000
Mr B Dwyer *CEO*	424	33	–	23	27	–	22	529
Mr P Guarino *General Manager Freight Services & Port Operations*	302	27	–	22	29	–	(8)[8]	372
Mr T Harlow *Chief Information Officer*	165	11	–	17	18	–	(6)[8]	205
Mr N Harriman *General Manager Retail & Hospitality*	225	34	–	23	16	–	(4)[8]	294
Mr K Maynard *General Manager Corporate Services*	190	22	–	20	14	–	(7)[8]	239
Mr S McCall *Chief Financial Officer*	285	41	–	24	20	–	(8)[8]	362
Mr J McGrath *General Manager Human Resources*	265	38	–	23	19	–	(5)[8]	340
Capt. S Michael *General Manager Marine Operations*	292	33	–	23	19	–	(15)[8]	352
Ms E Rojas *General Manager Marketing*	165	22	–	20	–	25	(4)[8]	228
Total	**2,313**	**261**	**–**	**195**	**162**	**25**	**(35)**	**2,921**

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[7,8] $'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
Capt. 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**

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.

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 shown below.

Reconciliation of the net defined benefit liability	**2017 $'000**	**2016 $'000**
Defined benefit obligation	8,667	9,786
Fair value of scheme assets	(1,441)	(1,379)
Net defined benefit liability	**7,226**	**8,407**
Current	113	119
Non-current	7,113	8,288
Net defined benefit liability	**7,226**	**8,407**

Reconciliation of the defined benefit obligation	**2017 $'000**	**2016 $'000**
Present value of defined benefit obligation at the beginning of the period	9,786	7,627
Current service cost	229	160
Interest cost	344	363
Contributions by plan participants	46	44
Actuarial (gains)/losses arising from changes in demographic assumptions	(222)	–
Actuarial (gains)/losses arising from changes in financial assumptions	(1,289)	1,920
Actuarial (gains)/losses arising from liability experience	(101)	313
Benefits paid	(113)	(628)
Estimated taxes, premiums and expenses paid	(13)	(13)
Present value of defined benefit obligation at the end of the period	**8,667**	**9,786**

Reconciliation of the fair value of scheme assets	**2017 $'000**	**2016 $'000**
Fair value of fund assets at the beginning of the period	1,379	1,343
Interest income	48	63
Actual return on plan assets less interest income	17	165
Employer contributions	77	405
Contributions by plan participants	46	44
Benefits paid	(113)	(628)
Taxes, premiums and expenses paid	(13)	(13)
Fair value of fund assets at the end of the period	**1,441**	**1,379**

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 *Public Sector Superannuation Reform Act 2016* (Tas) and the *Public Sector Superannuation Reform Regulations 2017* (Tas).

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* (Cth) 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

Before 1 April 2017, the RBF board was responsible for the governance of the RBF (the Scheme). From 1 April 2017, the Superannuation Commission (the Commission) has fiduciary responsibility for, and oversees the administration of, the Scheme. The day-to-day running of the Scheme is managed by the Commission as part of the Tasmanian Department of Treasury and Finance.

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 carried out at the end of each annual reporting period.

Re-measurement, 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 it occurs. Re-measurement 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 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)
- re-measurement.

Costs recognised in profit or loss	**2017 $'000**	**2016 $'000**
Current service	229	161
Interest	344	363
Components of defined benefit cost recognised in profit or loss	**573**	**524**

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:	**2017 $'000**	**2016 $'000**
Actuarial (gains)/losses arising from changes in demographic assumptions	(222)	–
Actuarial (gains)/losses arising from changes in financial assumptions	(1,289)	1,920
Actuarial (gains)/losses arising from liability experience	(101)	313
Actual return on plan assets less interest income	(17)	(165)
Components of defined (benefit)/cost recognised in other comprehensive income	**(1,629)**	**2,068**

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 several risks. The more significant risks relating to the defined benefits are:

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

Significant Events

During 2016, the Tasmanian Government passed the *Public Sector Superannuation Reform Act 2016*, which reforms the administration arrangements for the provision of public sector superannuation in Tasmania. While this legislation changed the entities responsible for the governance of the Scheme, it did not affect the contributions payable to or the benefits payable by the Scheme.

__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 14 July 2017, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity the state's actuary has used the Government bond yield of 3.3 per cent, in order to be consistent with the allocation of assets reported to the Tasmanian Department of Treasury and Finance.

Fair Value of Scheme assets

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

2017[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	235	–	–	235
Equity instruments	388	468	–	856
Debt instruments	23	281	27	331
Derivatives	–	7	–	7
Real estate	–	12	–	12
Total	**646**	**768**	**27**	**1,441**

1. Estimated based on assets allocated to the Company at 30 June 2017 and asset allocation of the Contributory Scheme at 31 March 2017.

2016[2]	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**

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

Significant actuarial assumptions at the reporting date

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

Assumptions to determine defined benefit cost and start-of-year defined benefit obligation	2017 %	2016 %
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

Assumptions to determine end-of-year defined benefit obligation	2017 %	2016 %
Discount rate (active members)	4.35	3.55
Discount rate (pensioners)	4.35	3.55
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	3.00	4.50
Expected pension increase rate	2.50	2.50

Sensitivity analysis

The defined-benefit obligation at 30 June 2017, 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. They are:

- 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	4.35	2.50	8,667
Scenario A	3.35	2.50	10,322
Scenario B	5.35	2.50	7,375
Scenario C	4.35	1.50	8,010
Scenario D	4.35	3.50	9,407

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	2018 $'000
Expected employer contributions in 2018	113

Maturity profile of the defined-benefit obligation

The weighted average duration of the defined-benefit obligation for the Company is 17.5 years.

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

Due to the nature of its operations, the Company is exposed to multiple forms of risk. This section sets out the nature and size of the financial risks and their 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 $284.5 million (2016: $294.8 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 2016.

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	**2017 $'000**	**2016 $'000**
Balance at the beginning of the period	29,319	11,921
Transfers during the period	26,237	17,398
Dividend paid during the period	(40,000)	–
Balance at the end of the period	**15,556**	**29,319**

D2 Financial risk management objectives

The Company is exposed to financial risks including market risk (such as 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 currency 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 management

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 was 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 table below summarises the potential impact of reasonably possible changes in the US dollar price of bunker fuel for the period ended 30 June 2017 on net profit and equity. This only reflects the impact on the financial instrument and does not reflect the cost change of 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).

	Net profit		Equity	
Price per metric tonne of fuel	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
10% increase	1,775	1,132	3,395	3,750
10% decrease	(1,775)	(1,132)	(3,395)	(3,750)

Exchange rate sensitivity analysis

The table below summarises the potential impact of reasonably possible changes in the US and Australian dollar exchange rate for the period ended 30 June 2017 on net profit and equity. This only reflects the impact of the financial instrument and does not reflect the cost change of 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 fuel price, designations and hedge effectiveness testing results).

	Net profit		Equity	
US$/A$ exchange rate	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
10% increase	(1,616)	(1,043)	(3,086)	(3,409)
10% decrease	1,972	1,258	3,772	4,166

Foreign currency risk management

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 management

Interest rate risk for the Company is the risk of a reduction in earnings and/or net present value of the Company due to 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 (2016: increased or decreased by $0.5 million). This is mainly attributable to the Company's exposure to interest rates on variable rate cash deposits.

Credit risk management

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

Credit risk pertaining specifically to hedging is mitigated by restricting dealings to highly rated Australian and international banks and/or bunker fuel suppliers. Each quarter, a review is undertaken to confirm there has been no deterioration in the counterparties' credit standing that might impact their ability to meet their obligations under the agreement. A similar review is undertaken before 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 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 financial assets is reduced further by holding bunker fuel hedges with more than one counterparty.

Liquidity risk management

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 2017 was unused (2016: $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 shown below.

Derivative financial assets	2017 $'000	2016 $'000
Bunker fuel hedge	2,320	2,798
Total derivative financial assets	**2,320**	**2,798**

Derivative financial liabilities	2017 $'000	2016 $'000
Bunker fuel hedge	1,343	6,619
Foreign currency hedge	6	55
Total derivative financial liabilities	**1,349**	**6,674**

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

Cash flow hedging reserve	2017 $'000	2016 $'000
Balance at the beginning of the period	(2,714)	(3,576)
Effective portion of changes in fair value of cash flow hedge	1,131	(10,460)
Transfer of hedge reserve to statement of comprehensive income	3,720	11,692
Net impact on equity before tax	**4,851**	**1,232**
Deferred tax liability arising on market valuation	(1,455)	(370)
Net impact on equity after tax	**3,396**	**862**
Balance at the end of the period	**682**	**(2,714)**

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.

Derivatives are classified as financial assets or financial liabilities 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 bunker fuel 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 hedging instruments 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 these 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.

2017	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	–	2,320	–	2,320
Total	**–**	**2,320**	**–**	**2,320**
Financial liabilities at FVTPL				
Bunker fuel hedge	–	(1,343)	–	(1,343)
Foreign currency hedge	–	(6)	–	(6)
Total	**–**	**(1,349)**	**–**	**(1,349)**

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
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)**

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 2017. The Company's policies regarding 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.

2017 Expected cash flows	Under 1 year $'000	1-5 years $'000	More than 5 years $'000	Total $'000
Bunker fuel hedge				
Assets	1,232	1,088	–	2,320
Liabilities	(1,087)	(256)	–	(1,343)
Forward exchange contract				
Assets	–	–	–	–
Liabilities	(6)	–	–	(6)

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

D4 Fair value measurement of non-derivative financial instruments

The Company's non-derivative financial instruments at the reporting date are shown below.

Financial assets	2017 $'000	2016 $'000
Cash and cash equivalents	105,895	110,425
Trade and other receivables	13,377	13,094

Financial liabilities	2017 $'000	2016 $'000
Trade and other payables	13,102	12,285

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, except for 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 principal cash flows of financial assets and liabilities and the earliest date on which the Company or counterparty can be required to pay.

2017 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	25,870	74,900	5,000	–	125	105,895
Trade and other receivables	–	–	–	–	13,377	13,377
Total non-derivative financial assets	**25,870**	**74,900**	**5,000**	**–**	**13,502**	**119,272**
Non-derivative financial liabilities						
Trade and other payables	–	–	–	–	13,102	13,102
Total non-derivative financial liabilities	**–**	**–**	**–**	**–**	**13,102**	**13,102**

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**

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 onboard the vessels to specialist third-party operators.

Non-cancellable operating lease payments	2017 $'000	2016 $'000
Under one year	3,266	3,165
Longer than one year but not longer than five years	9,957	12,579
Longer than five years	–	283
Total non-cancellable operating lease payments	**13,223**	**16,027**

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

If 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 $70,590 (2016: $69,200).

E3 Contingent assets and liabilities

There were no material contingent assets or liabilities at 30 June 2017 (2016: nil).

E4 Related-party transactions

Except for the details disclosed in this note, no key management personnel have 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 (2016: $130,000) in sponsorship to the Tourism Industry Council Tasmania. Mr B Dwyer, a Director of the Company, is also a Director of the Tourism Industry Council Tasmania, for which he received no remuneration.

The Company also paid $142,400 (2016: $35,600) to Pivot Maritime International Pty Ltd for services during the reporting period. Dr J Hawkins, a past Director of the Company who retired in November 2016, is the Managing Director of Pivot Maritime International Pty Ltd.

E5 Community Service Obligation

On 8 June 2016, the State Government agreed to formally recognise up to $890,000 per contract year of the cost of the Company's 2017 to 2021 North Melbourne Football Club sponsorship as a Community Service Obligation (CSO), as defined under the *Government Business Enterprise Act 1995 (Tas)*.

This represents the difference between the commercial value of the sponsorship to the Company and the total cost of the arrangement. No funding for this CSO will be paid by the State Government.

During the year ended 30 June 2017, the Company incurred a cost of $445,000 in relation to this CSO.

E6 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 the 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 2016/17, the Company applied a number of amendments to Australian Accounting Standards Board (AASB) standards and a new interpretation issued by the AASB. These included:

Standard	Description
AASB 2015-2 Amendments to Australian Accounting Standards – disclosure initiative: amendments to AASB 101	This standard was early adopted in the 2015/16 financial statements 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.
AASB 2014-4 Amendments to Australian Accounting Standards – clarification of acceptable methods of depreciation and amortisation	The company does not use revenue based methods to calculate depreciation and is therefore not affected by the changes made to *AASB 116 Property, plant and equipment* and *AASB 138 Intangible assets*.
AASB 124 Related party disclosures	There has been no change to the required format of disclosures in the financial statements, however, additional declarations have been completed by all related parties including Ministers, Directors and key management personnel. These declarations provide details of any likely transactions, to the best of their knowledge, between themselves or their related parties and the Company including their close family members and any controlled (or jointly controlled) businesses.

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 standards and interpretations were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied on the financial year ending
AASB 9 Financial instruments and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 Revenue from contracts with customers and AASB 2014–5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	30 June 2019
AASB 16 Leases and the relevant amending standards	1 January 2019	30 June 2020

When adopted, the above standards and interpretation are not expected to have a significant impact on the Company's financial statements. This assessment is based on:

- AASB 9 – current hedging position and an expected adoption date of 30 June 2019.
- AASB 15 – changes to revenue recognition requirements are consistent with the current treatment.
- AASB 16 – current lease commitments and an expected adoption date of 30 June 2020. The impact of this standard will continue to be monitored as leasing arrangements are reviewed.

The Company does not intend to adopt any of these pronouncements before their effective dates.

OTHER IMPORTANT INFORMATION (UNAUDITED)

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)	**2017**
Value of purchases from Tasmanian businesses ($'000)	39,399
Percentage of purchases from Tasmanian businesses	22%

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

Consultant	**Location**	**Description**	**Engagement**	**2017 $'000**
AECOM Australia Pty Ltd	Victoria	Port infrastructure review and vessel replacement	Ad hoc	265
Bevington Consulting Pty Ltd	Victoria	Operations process review	Project based	135
Corporate Communications	Tasmania	Public relations advice	Annual engagement	70
Figura	Sweden	Interior design for vessel replacement	Ad hoc	88
Foreship Ltd	Finland	Ship engineering design for vessel replacement	Ad hoc	140
Herbert Engineering Corp	United Kingdom	Fleet study for vessel replacement	Ad hoc	87
Holman Fenwick Willan	Victoria	Employment matters including workers compensation and vessel replacement	Ad hoc	130
Hospitality Business Solutions	Victoria	Training and systems support	Ad hoc	114
James C Smith & Associates P/L	Victoria	Specialised food service advice	Ad hoc	60
KPMG	Tasmania	Internal audit/advice	Annual engagement	107
Page Seager	Tasmania	General legal advice	Ad hoc	73
Pivot Maritime International Pty Ltd	Tasmania	Mooring analysis	Ad hoc	142
Simon Kucher & Partners	New South Wales	Yield management review and support	Ad hoc	107
			Total	**1,518**
		35 other consultants were engaged, each for $50,000 or less, totalling		482
			Total cost of consultants	**2,000**

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	2017	2016
Creditor days	22	20

	Number of invoices	$'000
Invoices due for payment (including GST)	22,283	225,321
Invoices paid on time (including GST)	18,573	199,258
Payments for interest or fees on overdue invoices	12	–

SPIRIT OF TASMANIA