TT-Line Company Pty Ltd

# Annual Report

2017/18


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

On 3 May 2018, TT-Line announced that it had signed a contract with European shipbuilder Flensburger Schiffbau-Gesellschaft (FSG) for the construction of two new roll-on/roll-off ships to replace the current Spirit of Tasmania vessels.

In preparing a business case for the Tasmanian Government, the Company exhaustively assessed vessel types and fleet configurations to determine the most suitable vessels to operate daily crossings on Bass Strait.

The TT-Line Board endorsed FSG after TT-Line shortlisted a number of international shipyards to build the new vessels.

The Spirit of Tasmania Board and the TT-Line executive team worked closely with the Tasmanian Government on vessel replacement through the Ships Replacement Sub-Committee of Cabinet, which was chaired by the former Minister for Infrastructure, Rene Hidding, and also included Premier Will Hodgman and Treasurer Peter Gutwein.

The Board is very pleased with the final terms of the contract, as negotiated between the parties since signing a letter of intent in 2017. It is by far the single biggest infrastructure investment ever by a Tasmanian Government.

The final design specifications provide for two 212-metre-long vessels that will each accommodate 1,800 passengers and up to 600 passenger vehicles. The new purpose-built vessels will also be able to carry greater freight volumes than the current Spirit of Tasmania vessels.

Besides this, the Company's performance in the reporting period was exceptional.

From a financial perspective, TT-Line reported record revenues of $244.6 million (2016/17: $231.8 million). This result helped the Company achieve a pre-tax profit of $63.4 million (2016/17: $35.9 million) and an after-tax profit of $44.4 million (2016/17: $25.1 million).

The Spirit of Tasmania vessels were valued at €67.5 million as at 30 June 2018 – a €2.5 million increase compared to the previous financial year. The valuation reflects the strong international ferry resale market and the overall quality of the vessels.

Operationally, the number of sailings increased to 859, including 156 day sailings – the highest number of day sailings since 2004, when the Company was operating three vessels. This was compared to 838 total sailings last financial year.

Passenger numbers increased by 3 per cent to 448,764, compared to 433,925 passengers in 2016/17.

Freight volumes were the highest on record at 105,208 twenty–foot equivalent units (2016/17: 103,430).

As noted in the Review of Operations, ship and workplace safety are at the core of our business. Maintaining safe operations is a critical area of interest for the Board and is a regular agenda item at Board meetings. As such, it is pleasing to note that the Spirit of Tasmania vessels achieved a 100 per cent voyage completion rate during the reporting period.

Spirit of Tasmania's commercial relationship with the North Melbourne Football Club – which began in 2012 – continued during the reporting period. This was the second year of an extended five-year deal to have the club play AFL games in Hobart.

The Board is delighted by the benefits this extended deal is already delivering. These include significant brand recognition in our key interstate markets through Channel 7 and Foxtel coverage of the football, as well as flow-on social and financial benefits – particularly in local hotels and restaurants – when AFL games are played at Blundstone Arena.

Importantly, the positive flow-on effects extend beyond match-day exposure and economic benefits to local businesses. For example, through North Melbourne Football Club's award-winning not-for-profit program


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

The Huddle, and with funding support from the Tasmanian Community Fund, the club is rolling out e-Huddle in 100 primary and secondary schools across the state. Delivered in partnership with the Beacon Foundation, the program is designed to strengthen students' knowledge and use of science, technology, engineering and maths (STEM) subjects in the context of sport.

On behalf of the Board, I would like to thank and congratulate CEO Bernard Dwyer, his senior management team and every one of our employees for their hard work in delivering the outstanding results I mentioned above. The contribution of the entire team has been significant and is greatly appreciated.

It has been a busy but exciting time for the Company. I would like to thank and acknowledge the work of my fellow Directors in their deliberations and decision-making. As noted earlier, the decision to replace the current Spirit of Tasmania vessels with two new roll-on/roll-off ships is by far the single biggest infrastructure investment ever undertaken by a Tasmanian Government. The Directors counsel during these important discussions was invaluable.

And finally, I would like to thank our shareholder ministers – Minister for Infrastructure Jeremy Rockliff and Treasurer Peter Gutwein – for their ongoing support of the Company. I would also like to note the strong support for the Company by the former Minister for Infrastructure, Rene Hidding.

**Michael Grainger**
Chairman

Report from the

# Chief Executive Officer

As outlined in the Chairman's message, the Company reported record revenues in 2017/18, and an after-tax profit of $44.4 million.

This was a very solid financial performance by the Company, and places us in a very strong position as we move into a new era for Spirit of Tasmania, having signed contracts to build new vessels with the capacity to meet all expected future demands.

Feedback from the Company's customers continues to reveal passengers' thoughts and expectations regarding their travel experience.

After they travel with us, passengers receive a survey via email inviting them to provide immediate feedback on the Company's performance – from booking through to disembarkation.

This feedback continues to be very positive and we also recorded an increase in satisfaction for the year, with customers rating the Company's performance on average 93.3 out of 100.

Our crew and all staff members are to be congratulated for their collective achievements in delivering the standard of customer service for which the Company is very proud.

During the year, the Company successfully implemented a new Maritime Security Plan and completed successful audits of this plan, and of the Biosecurity Tasmania Operating Plan. These are very important operational outcomes.

As noted in the Chairman's message, the Company announced it had signed a contract with European shipbuilder FSG for the construction of two new roll-on/roll-off ships to replace the current Spirit of Tasmania vessels.

Preparing a new vessel business case for the TT-Line Board and Tasmanian Government was a detailed and complex piece of work, and was completed very successfully by the Company's team.

In finalising its recommendation, the Company (the Board and the leadership team) enjoyed strong partner support from the Tasmanian Government's Ships Replacement Sub-Committee of Cabinet; the Department of Treasury and Finance; the Solicitor General's office; and TASCORP.

I would like to thank the Board for its support and oversight during the reporting period, and the leadership team for delivering the detailed strategy that brought us such impressive results this year.

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


SPIRIT OF TASMANIA I

# Spirit **People**

Spirit of Tasmania's employees have always been the Company's most valuable asset.

Their safety – and that of our passengers – is of critical importance to the Company.

The Company continued its Lookout safety and wellbeing program during the reporting period. Under the program, employees participate in a range of training and educational programs covering topics that include manual handling, appropriate workplace behaviour, and mental health and wellbeing.

Employees also receive targeted strength and conditioning training, and have access to Pilates and other exercise programs.

The Company continued to invest in employees' skills and development by providing customer service training.

The Spirited Leader program continued during the reporting period. This initiative invites the Company's leaders to complete a series of development exercises designed to enhance leadership, customer service and general management skills.

# Community **Support**

Spirit of Tasmania has been a strong supporter of Tasmanian organisations, charities and businesses for as long as it has operated in the state.

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

For the reporting period, Spirit of Tasmania donated nearly $150,000 worth of contra travel to community-based initiatives, to help them deliver events in Tasmania and Victoria. Organisations that benefited included Surf Life Saving Tasmania, the Tasmanian Institute of Sport, Rural Alive and Well, and the St Helens Sailing Squadron.

Spirit of Tasmania continued its partnership with the North Melbourne Football Club, with the club playing three AFL games a year at Blundstone Arena in Hobart. In addition, Spirit of Tasmania partnered with the club to deliver a range of community initiatives focused on providing opportunities to young Tasmanians. This included support for the club's GOAL! teacher resource, and the inaugural Spirit Award.

As part of its ongoing partnership with Tour of Tasmania, the Company was the official Naming Rights Partner of the 2017 Spirit of Tasmania Cycling Tour. Spirit of Tasmania supported the event to the value of $40,000, mainly by providing contra travel for event staff and vehicles.

For a number of years, Spirit of Tasmania has been a major partner of Tour de Cure, an Australian charity helping raise money to fund cancer research, support and prevention programs. Spirit of Tasmania supported Tour de Cure's 2017 Peter Mac Ride from Melbourne to Tasmania, providing more than $50,000 worth of contra travel to support the riders' fundraising goals.

Spirit of Tasmania staff members participated in fundraising efforts during the reporting period, raising $2,483 for charities such as Movember, Cancer Council Tasmania, Share the Dignity, Ronald McDonald House (Hobart), the RSPCA and Gran's Van.


# Brand

Spirit of Tasmania commissioned independent research focusing on immediate recall and prompted recognition, which found that our brand health remained strong and largely unchanged in 2017/18. The Company's brand engager score remained steady at 105, indicating a positive connection between consumers and the brand.

This work, undertaken by market research agency Hall & Partners OpenMind, revealed strong advertising recall on Spirit of Tasmania's core value proposition of 'taking your vehicle' and 'a relaxing way to travel'.

Spirit of Tasmania continues to be unchallenged on a range of associations when compared to competing airlines. The Company achieved some gains compared to last year, especially as 'an adventurous way to travel', 'a great way to travel for the whole family' and 'a relaxing /stress-free way to travel'.

Spirit of Tasmania remains top of mind as a cross-strait carrier compared to its competitors. Unaided awareness has increased significantly – from 26 per cent to 34 per cent – in the younger 18–34 age cohort.

In the same cohort, Spirit of Tasmania recorded a notable upward shift against a range of measures, including 'knowledge', 'integrity', 'connection' and 'commitment'. This follows on from the 'Be a Spirited Traveller' campaign, now in its second year, which has youthful appeal and has further improved Spirit of Tasmania's position in the market.


SPIRIT OF TASMANIA

# Retail and **Hospitality**

Consistent with previous reporting periods, more than 90 per cent of the wine and 80 per cent of the food served on board the Spirit of Tasmania vessels in 2017/18 was sourced from Tasmania.

Furthermore, the Tasmanian Market Kitchen (TMK) updated and changed its menus seasonally, focusing on fresh Tasmanian produce and flavours.

The Company introduced a number of significant initiatives in the vessels' restaurants and bars during the reporting period.

A pop-up Tasmanian wine bar featured wines by the glass, and TMK offered a sommelier experience, introducing passengers to a range of Tasmanian wines. Tasmanian-produced gins were available in all on-board bars, served with a selection of mixers. And a gin distillery was even exhibited on Deck 7, with background information on how the spirit is produced.

To celebrate this year's launch of the highly successful Flavours of Tassie program, Lark Distillery placed a whisky cask on each vessel, so that the whisky could be matured at sea for two years.

Flavours of Tassie (which runs from 1 May until 31 October each year) allows Tasmanian producers to showcase their craft beverages and gourmet foods to passengers. New producers this reporting period included Spreyton Cider Co., Milton Vineyard, Pure and Purple Garlic, Moorilla Estate, Taylor and Smith Distilling Co., Rhuby Delights and Van Diemens Land Creamery.

The addition of these companies takes the total number of participating businesses to 62.

Training continued to be a key activity for all members of the Retail and Hospitality team.

The Spirited Leader program, which focuses on effective leadership, has been well received by all crew members and shore-based departments.

The Customer Service modules offered during the year have enabled crew members to better engage with passengers, particularly when showcasing Tasmanian products. Feedback received from passengers is evidence of improvement in this area.

The Company's customer feedback program, Clarabridge, continued to reveal passengers' thoughts and expectations about their experience. After their trip, passengers receive a survey via email inviting them to provide immediate feedback on the Company's performance – from booking through to disembarkation. This feedback has been very positive: this year, on average, customers rated the Company's performance 93.3 out of 100.

The Summer Entertainment program for 2017/18 focused on families, offering face painters, roaming circus acts and trivia events. Live music was performed on Deck 9 during summer and winter, while the Deck 7 cinemas offered new-release movies for families and adults.



1 CINEMA

# Marketing

The Company moved into the second phase of the 'Be a Spirited Traveller' brand campaign in the 2017/18 reporting period. The campaign continued to tap into the spirited traveller mindset by expanding on the journey – combining the sailing experience with destination footage showcasing unique Tasmanian experiences that require travellers to pack gear and take a car.

The campaign was created by advertising agency Leo Burnett. Media agency Maxus provided media planning and buying services for the 2017/18 reporting period.

In 2017/18, Spirit of Tasmania delivered 12 major campaigns: six brand and six retail campaigns across television, radio, press, cinemas and outdoor billboards, over 40 weeks of the year. The campaigns were supported by digital advertising throughout the full year, including high-impact takeovers; targeted display activities based on demographics and interests; catch-up TV exposure; pre-roll video placements; and features on online travel agent websites. The Company also deployed two tactical campaigns targeting the key segment of 'four-wheel families': one digital-led campaign in April, in partnership with Tourism Tasmania; and a retail offer family package in September.

Two film shoots supported the Company's creative development: a still photography shoot in April 2018, and a videography shoot on location in Tasmania in November 2017. These covered various experiences unique to Tasmania, plus the return journey from a day of sailing. The creative appeals to all segments, with a focus on the 'memory makers' and 'four-wheel families' key growth customer segments, and the new 'millennials' market.

This year, the website saw an increase in users and bookings. Projects that aimed to reduce page load times and conversion rates successfully optimised the site. As social media becomes the 'front page' of the internet, an almost 50 per cent increase in web bookings from social media is an encouraging sign. Additional growth in mobile and tablet bookings this year shows that the Spirit of Tasmania website is well equipped to deal with a mobile-first world.

Steady growth continued throughout the year across all social media channels. Spirit of Tasmania's overall social media audience grew by more than 15 per cent compared to 2016/17.

Spirit of Tasmania worked closely with Tasmania's north-western region throughout the year, partnering to deliver a campaign with the popular We are Explorers travel website (weareexplorers.co).

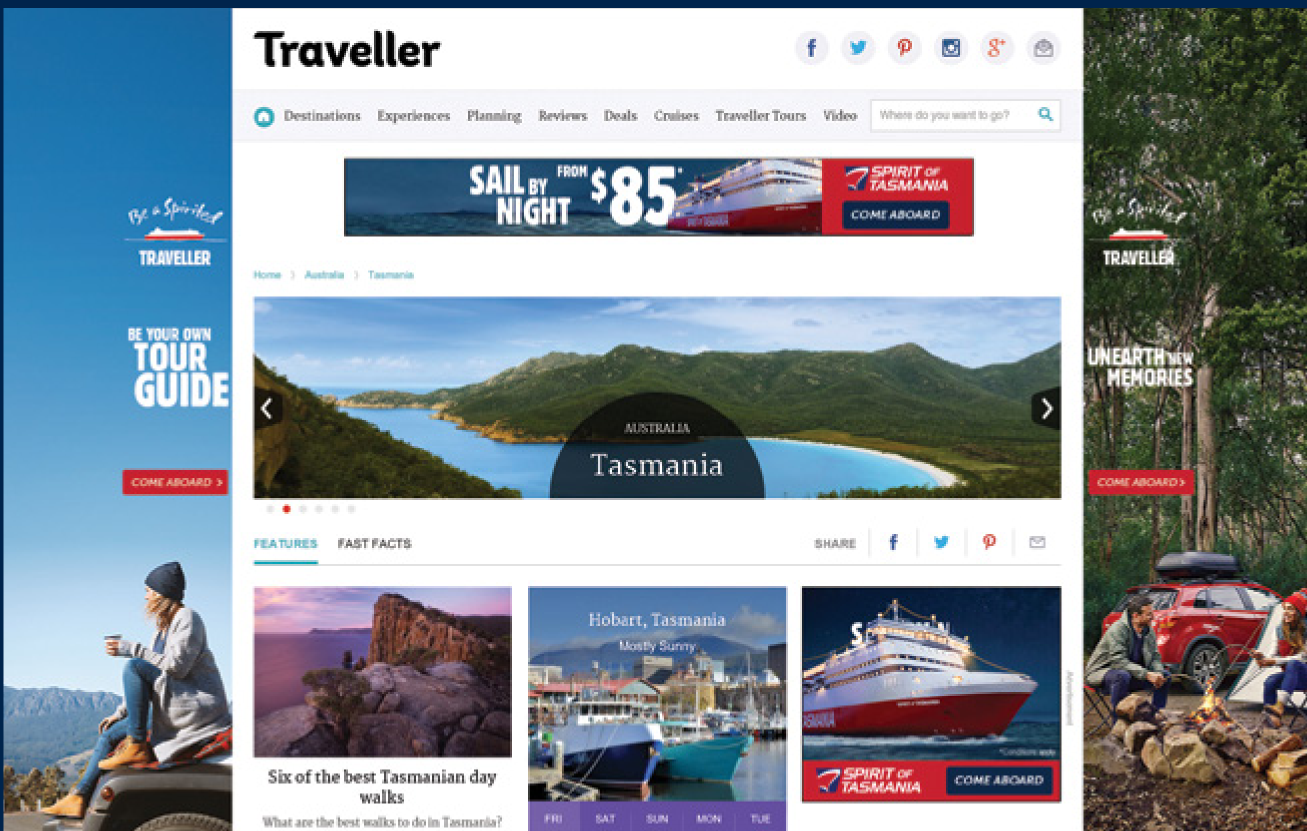
In 2017/18, more than 69 per cent of passengers who travelled with Spirit of Tasmania were from mainland Australia – 38 per cent from Victoria; 17 per cent from New South Wales and the Australian Capital Territory; six per cent from Queensland; and the remaining eight to nine  per cent from other states and the Northern Territory. Nearly 90 per cent of passengers travelled with a vehicle.

Information gathered as part of the customer feedback survey revealed that nearly 60 per cent of passengers said the main reason for their travel with Spirit of Tasmania was to take a holiday, and more than 82 per cent said taking their car was the main reason for choosing to travel by ship. Of those who gave feedback, 73 per cent said they were likely to travel with Spirit of Tasmania again.


BE A Spirited TRAVELLER
NATURE'S LIGHTSHOW PLAYING NIGHTLY
NIGHT SAILINGS FROM $85*
SPIRIT OF TASMANIA


BE A Spirited TRAVELLER
TAKE THE SCENIC ROUTE
SET SAIL FROM $69*
SPIRIT OF TASMANIA


BE A Spirited TRAVELLER
ADVENTURE IS ON THE HORIZON
BOOK NOW SAIL LATER
FROM $70*
SPIRIT OF TASMANIA


Be a Spirited TRAVELLER
BE YOUR OWN TOUR GUIDE
COME ABOARD >
Traveller
Destinations Experiences Planning Reviews Deals Cruises Traveller Tours Video
Where do you want to go?
SAIL BY NIGHT FROM $85*
SPIRIT OF TASMANIA
COME ABOARD
Home > Australia > Tasmania
AUSTRALIA
Tasmania
FEATURES
FAST FACTS
SHARE
Six of the best Tasmanian day walks
What are the best walks to do in Tasmania?
Hobart, Tasmania
Mostly Sunny
FRI SAT SUN MON TUE
SPIRIT OF TASMANIA
COME ABOARD
Be a Spirited TRAVELLER
UNEARTH NEW MEMORIES
COME ABOARD >

# Safety **and Reliability**

Safety and reliability remain the cornerstones of Spirit of Tasmania's business. This year again, the Company demonstrated this with a 100 per cent voyage completion rate. In achieving this excellent result, Spirit of Tasmania's two vessels continued to benefit from a number of system upgrades, increased maintenance cycles, and various third-party audits and inspections.

Each year, the Flag State Authority, the Australian Maritime Safety Authority and the Classification Society conduct auditing, survey, compliance and certificate renewals.

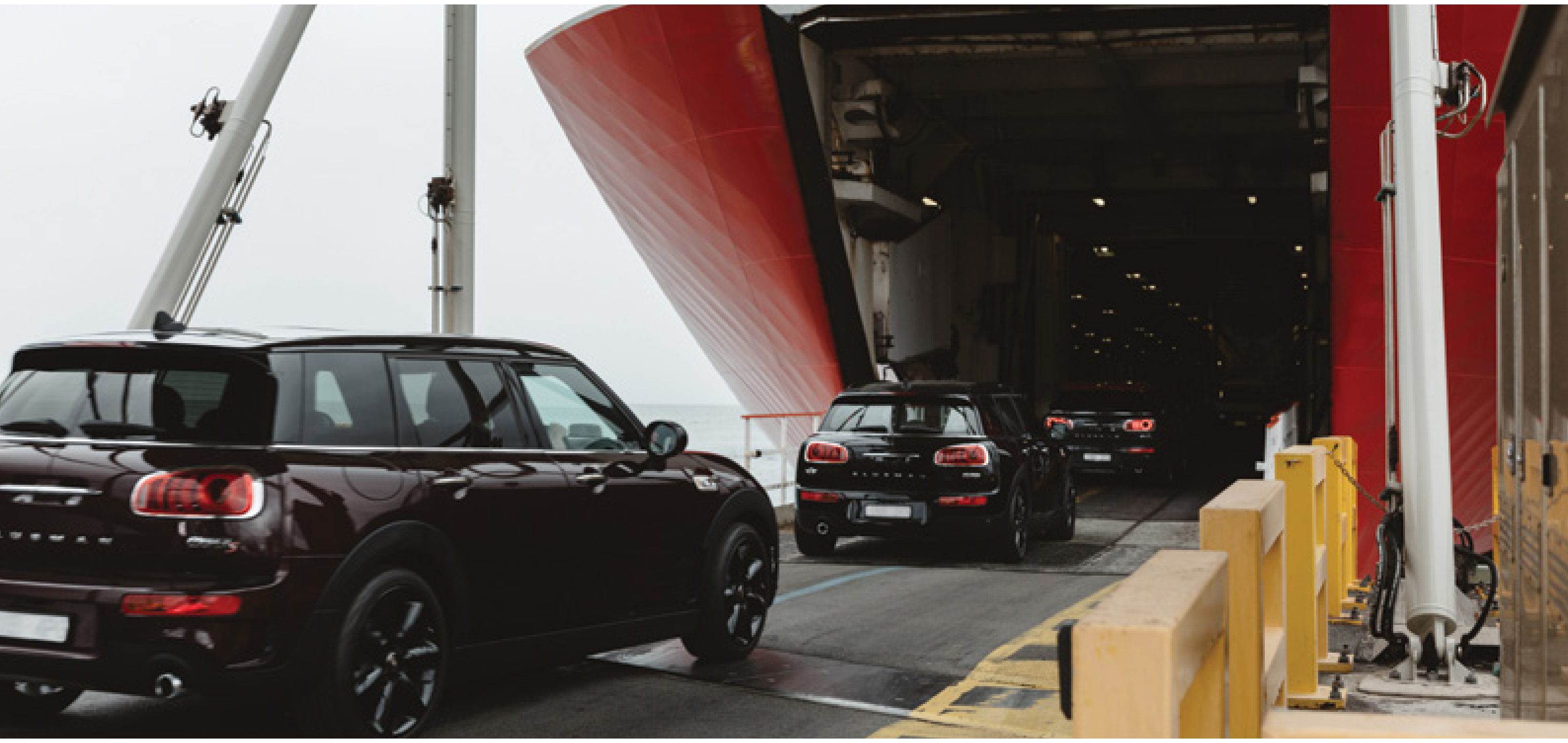
*Spirit of Tasmania I* was dry docked at Sydney's Garden Island in August 2017, and completed all survey requirements to achieve full certification. This dry docking concluded the upgrade of underwater paint systems to Intersleek 1100. This specialised underwater paint prohibits fouling of the hull, reduces water resistance and extends the interval before reapplication is required. Another milestone was the culmination of the stabiliser upgrade on *Spirit of Tasmania I*.

In 2014, Spirit of Tasmania agreed to a full stabiliser upgrade that has seen one stabiliser fin withdrawn each year since then. The fin is shipped back to Germany, where it is fully refurbished and returned before the next scheduled docking. The process began with the commissioning of a new fin at the start of the program. *Spirit of Tasmania I* now has two fully upgraded stabiliser fins, new controls systems and lubrication via environmentally friendly products. The stabiliser fin exchange for *Spirit of Tasmania II* will be completed in 2018.

Both vessels celebrated their 20th birthday in February and March respectively. Twenty years is an important milestone in a ship's life cycle, and represents the commencement of their fifth cycle of classification.

Vast volumes of marine legislation govern how the Spirit of Tasmania vessels are operated, and new requirements are added each year.

One such pending requirement will have a significant impact on the vessels and all merchant navy tonnage from 1 January 2020. This MARPOL (International Convention for the Prevention of Pollution from Ships) requirement aims to reduce the sulphur content of marine fuel from 3.5 per cent to 0.5 per cent. Several methods can be employed to achieve this outcome. Spirit of Tasmania has decided to use marine gas oil (MGO), which reduces the sulphur content to less than 0.01 per cent. Spirit of Tasmania considers this is the most prudent and environmentally friendly avenue available for *Spirit of Tasmania* I and *Spirit of Tasmania II*. The conversion process – to enable all machinery and systems to run effectively and safely on MGO – is a lengthy one. The Company has begun this conversion process, which will continue until compliance is achieved in late 2019.



# Environment

Spirit of Tasmania completed reporting under the Federal Government's *National Greenhouse and Energy Reporting Act 2007* (NGER Act), for the 2016/17 year.

The Company's NGER report was submitted to the appropriate Federal Government department by the required deadline of 31 October 2017.

Spirit of Tasmania will report on its 2017/18 NGER data by 31 October 2018.


# Public Interest **Disclosure**

Hard copies of the Spirit of Tasmania Public Interest Disclosure Policy can be obtained by contacting the Company Secretary.

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
- it did not refer any disclosed matters to the Ombudsman to investigate during the year
- the Ombudsman did not take over any investigations of disclosed matters 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 during the year
- the Ombudsman made no recommendations under the Act that relate to Spirit of Tasmania.

**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

121

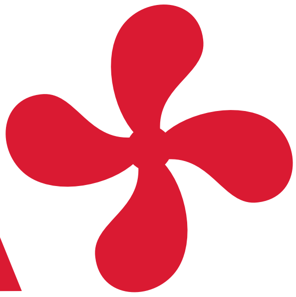
- 59 TWIN BED PORTHOLE CABINS
- 72 FOUR BED PORTHOLE CABINS
- 8 DELUXE CABINS
- 222 TOTAL CABINS
- 121 RECLINERS

## SPEED, TIME & DISTANCE

AVERAGE SPEED IN KNOTS 27
EQUALS 50 KM/HR

CROSSING TIME (HRS)
9-11

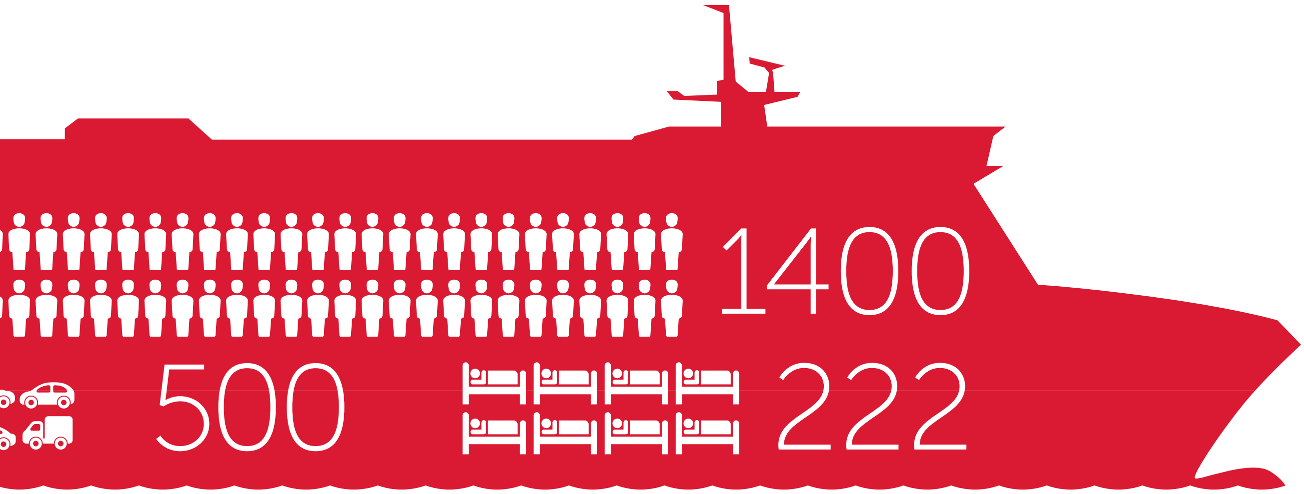
YEAR BUILT 1998
FIRST TT-LINE COMMERCIAL CROSSING 1 SEPT 2002

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]

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| **Revenue from operations[2]** | | |
| Spirit of Tasmania | 240,634 | 227,425 |
| Other revenue | 2,012 | 1,920 |
| | **242,646** | **229,345** |
| **Expenses from operations[2]** | | |
| Spirit of Tasmania | (183,661) | (179,535) |
| Other expenses | (1,967) | (1,960) |
| | **(185,628)** | **(181,495)** |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | **57,018** | **47,850** |
| Depreciation and amortisation | | |
| Spirit of Tasmania | (7,374) | (20,020) |
| Other | (83) | (70) |
| | **(7,457)** | **(20,090)** |
| **Earnings before interest and tax (EBIT)** | **49,561** | **27,760** |
| Interest expense | (367) | (344) |
| Interest income | 2,198 | 2,932 |
| **Underlying profit** | **51,392** | **30,348** |
| **Represented as follows;** | | |
| Spirit of Tasmania | 51,430 | 30,458 |
| Other | (38) | (110) |
| **Underlying profit** | **51,392** | **30,348** |
| **Reconciliation to audited profit for the period** | | |
| Underlying profit | 51,392 | 30,348 |
| *Accounting adjustments* | | |
| Revaluation of asset adjustment | 11,998 | 5,519 |
| Taxation (expense)/benefit | (19,020) | (10,770) |
| **Profit for the period – audited** | **44,370** | **25,097** |

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 2018

ABN 39 061 996 174

## Contents

# CORPORATE GOVERNANCE

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

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

### 1. Lay solid foundations for management and oversight

The Board is responsible for the Company's overall performance in achieving its objectives, as set out in the 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 the CEO and 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 page 23.

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)<br>C Filson<br>H Galloway<br>M Grainger | S Ewart (Chair)<br>M Grainger<br>R Heazlewood | M Grainger (Chair)<br>Capt. R Burgess<br>B Dwyer<br>S Ewart<br>C Filson<br>H Galloway<br>R Heazlewood | M Grainger (Chair)<br>S Ewart<br>Capt. R Burgess |

**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 50 per cent of the Company's employees were female and 50 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 Our Watch, an organisation that seeks to end violence against women and children. 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 July 2018.

Directors' fees are set by the Tasmanian Government.

The Remuneration Committee formally reviews the CEO's remuneration annually. This review is 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 2018. 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, Box Hill Institute, Western Water and Deputy Chairperson of the Port of Hastings Development Authority and Murray Irrigation Limited. 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 & Risk Committee and Asset & Safety Committee. She has previously held a number of other board positions, including the Singapore Hockey Federation. She is also an independent member of two local council audit committees.

**Mr Robert Heazlewood**

Mr Heazlewood joined the Board in 2012 as a non-executive Director and is a member of the Remuneration Committee. 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 Tasmanian Board and a member of the Tasmanian State Government's Access Working Group.

## Retirements

The Directors held office during the entire financial year and have continued to do so since the end of the financial year.

## 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 $244.6 million (2017: $231.8 million) and a profit for the year ended 30 June 2018 of $44.4 million (2017: $25.1 million).

The 2017/18 financial year continued the Company's updated strategic plan.

The plan includes objectives to:

- operate safely and reliably
- undertake approval and planning for new tonnage to replace current vessels in the early 2020s
- continue to add more day sailings to provide additional capacity for passengers and over height vehicles
- 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 3 per cent over the prior year to 859 (2017: 838), including additional day sailings. This was the highest number of day sailings operated by the Company since 2004. During the financial year 448,764 passengers travelled with the Company, an increase of 3 per cent over the prior year (2017: 433,925). 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.

Freight volumes were the highest on record, at 105,208 twenty–foot equivalent units (TEUs) (2017:103,430).

Significant freight volume improvement is constrained as the vessels operate at capacity for the majority of high demand periods. The preference of customers 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 vessels were valued at €67.5 million each as at 30 June 2018. This value has increased €2.5 million from the prior year (2017: €65 million each). It reflects the strong ferry resale market, the quality of the current vessels and reduced short-term new-build capacity. Despite the vessels increasing their value this year, they are depreciating assets and their value can be normally expected to decrease each year.

TT-Line has now completed the business case for the replacement of *Spirit of Tasmania I and II* in 2021. The business case was approved by the Board and the Cabinet Sub-Committee of the Tasmanian Government, Contracts have been signed for the new ship builds and the project is on track for both the vessels to be delivered as expected in 2021 before the start of the high season.

## 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 2017/18 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, Tasmanian and Victorian 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 2017/18 financial year.

## Indemnity and insurance for officers and auditors

The Company paid $45,000 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.

The majority of international travel undertaken during the year was attributable to the project for the replacement of current vessels.

**International travel in the year ended 30 June 2018**

| Position | Number of trips | Cost of travel $'000 |
|---|---|---|
| Directors | – | – |
| CEO | 5 | 79 |
| Company representatives | 21 | 343 |

## 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.

## 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 one Director Nomination Committee meeting.

| | Board | | Audit and Risk Committee | | Remuneration Committee | | Vessel Replacement and Procurement Committee | | Director Nomination Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Director** | Attended | Held[1] | Attended | Held[1] | Attended | Held[1] | Attended | Held[1] | Attended | Held [1] |
| Mr M Grainger | 11 | 11 | 4 | 4 | 2 | 2 | 2 | 2 | 1 | 1 |
| Capt. R Burgess | 11 | 11 | – | – | – | – | 2 | 2 | 1 | 1 |
| Ms S Ewart | 11 | 11 | 4 | 4 | 2 | 2 | 2 | 2 | 1 | 1 |
| Ms C Filson | 10 | 11 | 3 | 4 | – | – | – | – | 1 | 1 |
| Ms H Galloway | 11 | 11 | 4 | 4 | – | – | – | – | 1 | 1 |
| Mr R Heazlewood | 10 | 11 | – | – | 2 | 2 | – | – | 1 | 1 |
| Mr B Dwyer | 11 | 11 | – | – | – | – | – | – | 1 | 1 |

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

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

On behalf of the Directors

M Grainger

S M Ewart

S Ewart

Directors

Hobart, 13 August 2018

Tasmanian
Audit Office

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13 August 2018

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

Dear Board Members

**Auditor's Independence Declaration**

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

As the auditor of the financial report of TT-Line Company Pty Ltd for the financial year ended 30 June 2018, 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

Rod Whitehead
**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 2018 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 the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2018 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**<br>*Refer to notes A2 and B3* | |
| The Company's vessels, $212.67m, 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 significantly impact on the Company's results and financial position.<br><br>The calculation of depreciation of the vessels, $4.77m, involved estimating the 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.<br>• Assessing the competence of management's expert in accordance with Auditing Standards.<br>• Examining the treatment of capital and maintenance expenditures and considering their impact on the vessels' valuation.<br>• Evaluating depreciation methodology, including judgements and assumptions used.<br>• Reviewing the calculation of vessel depreciation.<br>• Assessing the adequacy of relevant disclosures in the financial report. |

| **Revenue from the provision of services and Revenue received in advance**<br>*Refer to notes A1 and B6* | |
|---|---|
| Significant revenue was processed through the Company's reservation system, $224.59m, the majority of which was through internet bookings.<br><br>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.<br><br>Revenue received in advance, $20.18m, was a significant liability at year-end for the Company. | • Evaluating the design and implementation of relevant application controls in the reservations system.<br><br>• Confirming processing controls to support the completeness, accuracy and integrity of booking transactions originating online and processed through the reservations system.<br><br>• Examining reconciliations of information from the reservation system to the general ledger.<br><br>• Performing analytical procedures to assess revenue generated. |
| **Defined benefit obligation**<br>*Refer to notes C1 and 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 $7.67m at 30 June 2018.<br><br>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.<br><br>• Reviewing information provided to the actuary.<br><br>• Evaluating actuarial reports, including the reasonableness of the assumptions used.<br><br>• 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 2018, 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.

Rod Whitehead
**Auditor-General**

**Tasmanian Audit Office**

13 August 2018
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 76 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 2018 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 2018.

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 M Ewart

S Ewart

Directors

Hobart, 13 August 2018

# STATEMENT OF PROFIT OR LOSS

## FOR THE YEAR ENDED 30 JUNE 2018

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **REVENUE** | | | |
| Operating revenue | A1 | 240,457 | 227,837 |
| Investment revenue | A1 | 2,198 | 2,932 |
| Other revenue | A1 | 1,968 | 965 |
| Other gains | A1 | 8 | 96 |
| **Total revenue** | | **244,631** | **231,830** |
| Employee benefit expenses | A2 | (74,448) | (70,324) |
| Other expenses | A2 | (118,424) | (130,814) |
| Finance costs | A2 | (367) | (344) |
| Asset revaluation | B3 | 11,998 | 5,519 |
| **PROFIT BEFORE TAX** | | **63,390** | **35,867** |
| Tax-equivalent (expense) | A3 | (19,020) | (10,770) |
| **PROFIT FOR THE YEAR** | | **44,370** | **25,097** |

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

# STATEMENT OF OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2018

| | Note | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|---|
| **PROFIT FOR THE YEAR** | | **44,370** | **25,097** |
| **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 | (32) | 1,629 |
| Tax-equivalent (expense)/benefit on items of comprehensive income | A3 | 10 | (489) |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Cash flow hedging reserve gains/(losses) | D3 | (10,343) | 4,851 |
| Tax-equivalent (expense)/benefit on items of comprehensive income | A3 | 3,103 | (1,455) |
| **Total other comprehensive income/(expense) for the year, net of tax** | | **(7,262)** | **4,536** |
| **TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR** | | **37,108** | **29,633** |

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

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | B1 | 197,901 | 105,895 |
| Trade and other receivables | B2 | 13,962 | 13,377 |
| Inventories | B7 | 2,735 | 2,846 |
| Other | B2 | 10,702 | 2,680 |
| **TOTAL CURRENT ASSETS** | | **225,300** | **124,798** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | B3 | 224,490 | 205,460 |
| Intangibles | B4 | 2,441 | 2,743 |
| Deferred tax asset (net of deferred tax liability) | A3 | – | 3,152 |
| Other | B2 | 1,556 | 1,089 |
| **TOTAL NON-CURRENT ASSETS** | | **228,487** | **212,444** |
| **TOTAL ASSETS** | | **453,787** | **337,242** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | B6 | 15,464 | 13,102 |
| Income tax payable | A3 | 8,950 | – |
| Provisions | C1 | 13,369 | 13,203 |
| Other | B6 | 22,798 | 17,105 |
| **TOTAL CURRENT LIABILITIES** | | **60,581** | **43,410** |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liability (net of deferred tax asset) | A3 | 3,805 | – |
| Provisions | C1 | 9,468 | 9,106 |
| Other | B6 | 17,355 | 256 |
| **TOTAL NON-CURRENT LIABILITIES** | | **30,628** | **9,362** |
| **TOTAL LIABILITIES** | | **91,209** | **52,772** |
| **NET ASSETS** | | **362,578** | **284,470** |
| **EQUITY** | | | |
| Share capital | | 409,981 | 328,981 |
| Cash flow hedging reserve | D3 | (6,558) | 682 |
| Accumulated losses | | (60,749) | (60,749) |
| Profits reserve | D1 | 19,904 | 15,556 |
| **TOTAL EQUITY** | | **362,578** | **284,470** |

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2018

| | Note | Share capital $'000 | Cash flow hedging reserve $'000 | Accumulated losses $'000 | Profits reserve $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 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** |
| Profit for the year | | – | – | 44,370 | – | **44,370** |
| Transfers | D1 | – | – | (44,348) | 44,348 | – |
| Other comprehensive income/(expense) for the year | D3 | – | (7,240) | (22) | – | **(7,262)** |
| **Total comprehensive income/(expense) for the year** | | **–** | **(7,240)** | **–** | **44,348** | **37,108** |
| Payment of Dividends | | – | – | – | (40,000) | **(40,000)** |
| Equity Contribution | | 81,000 | – | – | – | **81,000** |
| **Balance at 30 June 2018** | | **409,981** | **(6,558)** | **(60,749)** | **19,904** | **362,578** |

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

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2018

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash receipts in the course of operations | | 292,839 | 272,113 |
| Interest received | | 2,535 | 2,816 |
| Cash payments in the course of operations | | (230,189) | (224,972) |
| **Net cash provided by operating activities** | **A4** | **65,185** | **49,957** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from the sale of property, plant and equipment | | 221 | 198 |
| Payments for property, plant and equipment and major cyclical maintenance | | (14,400) | (14,685) |
| Dividend paid | | (40,000) | (40,000) |
| **Net cash (used) by investing activities** | | **(54,179)** | **(54,487)** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Equity contribution | | 81,000 | – |
| **Net cash provided by financing activities** | | **81,000** | – |
| | | | |
| Net increase in cash held | | 92,006 | (4,530) |
| Cash and cash equivalents at the beginning of the financial year | | 105,895 | 110,425 |
| **Cash and cash equivalents at the end of the financial year** | | **197,901** | **105,895** |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

## 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 13 August 2018.

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 |
|---|---|
| B3 | Useful lives of assets |
| B3 | 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 2018. 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 | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Revenue from the provision of services | 224,594 | 213,439 |
| Revenue from the sale of goods | 15,863 | 14,398 |
| **Operating revenue** | **240,457** | **227,837** |
| **Investment revenue[1]** | **2,198** | **2,932** |
| **Other revenue[2]** | **1,968** | **965** |
| **Other gains[3]** | **8** | **96** |
| **Total operating revenue** | **244,631** | **231,830** |

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 B2 '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 | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Defined contribution plans | 5,306 | 5,040 |
| Defined benefit plans | 176 | 229 |
| Termination benefits[1] | 1,119 | 545 |
| Other employee benefits | 67,847 | 64,510 |
| **Total employee benefit expenses** | **74,448** | **70,324** |

| Other expenses | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Depreciation | 6,014 | 18,876 |
| Amortisation[2] | 1,443 | 1,214 |
| Terminal operations | 31,907 | 31,099 |
| Administration[3] | 11,311 | 12,204 |
| Security | 3,463 | 3,453 |
| Food and beverages | 3,582 | 3,788 |
| Consumables | 5,376 | 5,092 |
| Repairs and maintenance | 11,044 | 9,279 |
| Bunker fuel and oil | 31,303 | 33,964 |
| Customer acquisition | 12,981 | 11,845 |
| **Total other expenses** | **118,424** | **130,814** |

| Finance costs | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Total finance costs[4]** | **C3** | **367** | **344** |

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 B2: 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 B3: 'Property, plant and equipment' and B4: '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** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| Origination and reversal of temporary differences: | | |
| Increase in deferred tax liability | 6,112 | 2,211 |
| Decrease in deferred tax asset | 3,958 | 8,559 |
| Provision for income tax payable | 8,950 | – |
| **Total tax-equivalent expense** | **19,020** | **10,770** |

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

| **Current period tax expense reconciliation** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| Profit before tax-equivalent expense | 63,390 | 35,867 |
| **Prima facie tax-equivalent expense[1]** | **19,017** | **10,760** |
| Non-deductible entertainment | 3 | 10 |
| **Tax-equivalent expense recognised in the current period[2]** | **19,020** | **10,770** |

1 The tax rate used for the 2018 reconciliation is the corporate tax rate of 30 per cent (2017 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** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| Tax-equivalent impact of actuarial (losses)/gains | (10) | 489 |
| Tax-equivalent impact of revaluation in cash flow hedging reserve | (3,103) | 1,455 |
| **Net tax-equivalent (benefit)/expense attributable to transactions recognised in other comprehensive income** | **(3,113)** | **1,944** |

## Recognition and measurement

***Current tax***

The tax currently payable is based on taxable profit for the period ending 30 June 2018. 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:

| 2018 | | Balance at 1 July 2017 $'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 2018 $'000 |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | Employee provisions | 6,584 | – | 102 | 10 | 6,696 |
| | Other provisions | 2 | – | (2) | – | – |
| | Other accruals | – | – | 85 | – | 85 |
| | Derivative asset – hedging | (292) | – | – | 3,103 | 2,811 |
| | Tax losses | 4,432 | – | (4,432) | – | – |
| | Vessel replacement expenditure | – | – | 289 | – | 289 |
| | **Total deferred tax assets** | **10,726** | **–** | **(3,958)** | **3,113** | **9,881** |
| **Deferred tax liabilities** | Consumables | (354) | – | (15) | – | (369) |
| | Property, plant and equipment | (6,680) | – | (6,191) | – | (12,871) |
| | Provisions | (540) | – | 94 | – | (446) |
| | **Total deferred tax liabilities** | **(7,574)** | **–** | **(6,112)** | **–** | **(13,686)** |
| **Net deferred tax liabilities** | | **3,152** | **–** | **(10,070)** | **3,113** | **(3,805)** |

| 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** |

*Tax benefits not recognised*

Tax benefits not recognised as deferred tax assets were capital losses of $116,000 (2017: $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 | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Profit for the year** | **44,370** | **25,097** |
| Gain on the sale assets | (8) | (96) |
| Asset impairment reversal | (11,998) | (5,519) |
| Depreciation | 6,014 | 18,876 |
| Amortisation | 1,443 | 1,214 |
| Income tax expense | 19,020 | 10,770 |
| Movements in working capital | | |
| (Increase)/decrease in trade and other receivables | (585) | (283) |
| (Increase)/decrease in inventories | 111 | (814) |
| (Increase)/decrease in prepaid expenses and other | (205) | 532 |
| Increase/(decrease) in trade and other payables | 2,359 | 949 |
| Increase/(decrease) in revenue received in advance | 4,168 | (1,075) |
| Increase/(decrease) in provisions[1] | 496 | 306 |
| **Net cash provided by operating activities** | **65,185** | **49,957** |

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 Cash and cash equivalents

The composition of cash and cash equivalents at the reporting date is as follows:

| Cash and cash equivalents | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Cash on hand | 125 | 125 |
| Cash at bank | 197,776 | 105,770 |
| **Total cash and cash equivalents** | **197,901** | **105,895** |

The current year cash at bank includes $140.9 million of restricted funds which are being held for committed capital expenditure. Total unrestricted cash and cash equivalents at the reporting date are $57.0 million (2017: $105.9 million).

## B2 Receivables and other assets

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

| Trade and other receivables | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Trade receivables | 12,036 | 11,414 |
| Allowance for impairment | (1) | (7) |
| **Total trade receivable** | **12,035** | **11,407** |
| Other receivables | 1,927 | 1,970 |
| **Total trade and other receivables** | **13,962** | **13,377** |

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 | 2018 $'000 | 2017 $'000 |
|---|---|---|
| 60–90 days | 394 | 414 |
| 90–120 days | 10 | 38 |
| **Total ageing past due but not impaired** | **404** | **452** |

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

| Other assets | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Derivative asset – fuel and foreign currency hedge[1] | 10,604 | 2,320 |
| Prepaid expenses and other | 1,654 | 1,449 |
| **Total other assets** | **12,258** | **3,769** |
| Current | 10,702 | 2,680 |
| Non-current | 1,556 | 1,089 |
| **Total other assets** | **12,258** | **3,769** |

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 23 days (2017: 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'.

## B3 Property, plant and equipment

The reconciliation of the opening and closing balances of property, plant and equipment at 30 June 2018 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 | Capital works in progress at cost $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| Gross book value | 193,836 | 15,369 | 12,423 | 1,923 | 500 | – | 224,051 |
| Accumulated depreciation | – | (9,431) | (8,628) | (69) | – | | (18,128) |
| **Opening net book value 1 July 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** |
| **Movements in net book value** | | | | | | | |
| Acquisitions | 2,528 | 180 | 643 | 13 | – | 825 | 4,190 |
| Major cyclical maintenance | 9,547 | – | – | – | – | – | 9,547 |
| Disposals | – | – | (213) | – | – | – | (213) |
| Depreciation and amortisation | (4,774) | (477) | (1,157) | (83) | – | – | (6,491) |
| Asset revaluation | 11,998 | – | – | – | – | – | 11,998 |
| Gross book value | 212,665 | 16,099 | 13,452 | 2,163 | 500 | 825 | 245,704 |
| Accumulated depreciation | – | (10,368) | (10,763) | (83) | – | – | (21,214) |
| **Closing net book value 30 June 2018** | **212,665** | **5,731** | **2,689** | **2,080** | **500** | **825** | **224,490** |

## 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
- capital works in progress

***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, $42.6 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 2018. 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, increased from $96.7 million to $106.3 million between 2017 and 2018. The value in euros has increased from €65 million to €67.5 million. The $19.3 million increase in the fair value of both vessels was the result of a favourable movement in the Australian dollar and euro exchange rate and the increase in valuation. In addition to the $19.3 million increase in fair value for both vessels during the year, they were depreciated $4.7 million during the year and also underwent $12.1 million worth of improvements and periodic maintenance. The result of these movements was a $12.0 million vessel revaluation increment, which is recognised in the statement of profit or loss.

If the vessels, plus any additions (excluding periodic maintenance) had been carried at cost, the depreciated carrying value of both vessels would be $212.3 million.

### Buildings

Australian Property Institute member Matthew 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. Operations have remained constant and it was deemed unnecessary to obtain a revised valuation at 30 June 2018. The prior year valuation was determined by reference to market transactions on arm's length terms.

| Asset revaluation recognised in profit or loss | 2018 $'000 | 2017 $'000 |
|---|---|---|
| *Vessels* | | |
| Increase/(decrease) in fair value | 19,299 | (470) |
| Improvements and periodic maintenance | (12,075) | (11,916) |
| **Gross revaluation (decrement)** | **7,224** | **(12,386)** |
| Depreciation | 4,774 | 17,608 |
| **Vessel revaluation recognised in profit or loss** | **11,998** | **5,222** |
| *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** | **11,998** | **5,519** |

### *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 | 25 years |
| plant and equipment | 3–10 years |

### *Estimations*

Estimations of the vessels' useful life and residual value are key judgements in the financial statements.

The expected useful life of the vessels has been reduced from 30 years to 25 years based on the intention to replace existing vessels and the capital commitment made to build new vessels at reporting date.

The residual value of the vessels has also been revised with consideration of current market valuation and reduced remaining useful life. The estimated residual has increased to $101.1 million from $19.1 million which previously reflected 10 per cent of build price. The revised residual for the current year exceeded the carrying amount of the vessels and depreciation was reduced
to nil.

A 10 per cent increase in the residual value of the vessels would result in nil depreciation in the statement of profit or loss and no change in carrying value of property, plant and equipment in the statement of financial position as the residual would have increased to greater than the carrying amount of the vessels.

A 10 per cent decrease in the residual value of the vessels would result in a $1.9 million increase in depreciation in the statement of profit or loss and a corresponding $1.9 million 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 nil depreciation in the statement of profit or loss, and no change in the carrying value of property, plant and equipment in the statement of financial position as the residual has exceeded the carrying amount of the vessels.

*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 vessels' annual dry dock and new vessel build of $763.1 million (2017: $9.1 million – dry dock only).

## B4 Intangible assets – software

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

| Intangible assets – software | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Gross book value | 7,353 | 6,124 |
| Accumulated amortisation | (4,610) | (3,855) |
| **Opening net book value at 1 July** | **2,743** | **2,269** |
| Acquisitions | 664 | 1,229 |
| Amortisation | (966) | (755) |
| Gross book value | 8,017 | 7,353 |
| Accumulated amortisation | (5,576) | (4,610) |
| **Closing net book value 30 June** | **2,441** | **2,743** |

### 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.

## B5 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 B3: '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.

## B6 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 | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Trade and other payables** | **15,464** | **13,102** |

| Other liabilities | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Derivative liability – fuel hedge | – | 1,343 |
| Derivative liability – foreign currency hedge | 19,973 | 6 |
| Revenue received in advance and other liabilities | 20,180 | 16,012 |
| **Total other liabilities** | **40,153** | **17,361** |
| Current | 22,798 | 17,105 |
| Non-current | 17,355 | 256 |
| **Total other liabilities** | **40,153** | **17,361** |

### 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 24 days (2017: 22 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'.

## B7 Inventories

The composition of inventories at the reporting date is shown below:

| Inventories | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Bunker fuel | 1,178 | 956 |
| Maintenance stock | 758 | 1,296 |
| Food and beverage stock | 799 | 594 |
| **Total inventories** | **2,735** | **2,846** |

### 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 $46.4 million (2017: $40.1 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 | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Workers compensation[1] | 513 | 358 |
| Long service leave | 7,895 | 7,447 |
| Annual leave | 6,757 | 7,170 |
| Employee incentives | – | 108 |
| Defined benefit obligation[2] | 7,672 | 7,226 |
| **Total provisions** | **22,837** | **22,309** |
| Current | 13,369 | 13,203 |
| Non-current | 9,468 | 9,106 |
| **Total provisions** | **22,837** | **22,309** |

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.

| | Director Remuneration[1] | | Executive Remuneration[2] | | Total | |
|---|---|---|---|---|---|---|
| **Director and key management personnel compensation** | **2018 $'000** | **2017 $'000** | **2018 $'000** | **2017 $'000** | **2018 $'000** | **2017 $'000** |
| Short-term employee benefits | 303 | 300 | 2,869 | 2,778 | 3,172 | 3,078 |
| Post-employment benefits | 29 | 28 | 209 | 195 | 238 | 223 |
| Long-term benefits | – | – | (246) | (52) | (246) | (52) |
| Termination benefits | – | – | 785 | – | 785 | – |
| **Total** | **332** | **328** | **3,617** | **2,921** | **3,949** | **3,249** |

1. Director remuneration short-term employee benefits includes director's fees and committee fees, no other benefits were paid during the current or prior year. Post-employment benefits represents superannuation contributions.
2. Executive remuneration short-term employment benefits includes base salary, incentive payments, vehicles, other benefits and other non-monetary benefits. Post-employment benefits represents superannuation contributions and other long-term employee benefits includes leave movements. Termination benefits are provided for below.

## 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 July 2018. 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.

The CEO conducts annual formal performance appraisals of all direct-reporting senior executive team members, the outcomes of which support any incentive payment.

The following short-term incentive payments were awarded during the current year for exceeding financial and non-financial targets:

| Short-term incentives | 2018 |
|---|---|
| Mr P Davis | 7,000 |
| Mr T Harlow | 10,000 |
| Mr N Harriman | 29,000 |
| Ms K Holandsjo | 8,000 |
| Mr K Maynard | 13,000 |
| Mr J McGrath | 33,000 |
| Capt. S Michael | 25,000 |
| Ms E Rojas | 18,000 |
| Mr I Whitechurch | 7,000 |

The long-term incentive scheme has closed and final payments already in the scheme have been honoured and paid.

| Long-term incentives | 2018 |
|---|---|
| Mr P Davis | 7,000 |
| Mr T Harlow | 7,000 |
| Ms E Rojas | 8,000 |
| Mr I Whitechurch | 7,000 |

***Termination benefits***

Termination payments during the current year were made to Mr P Guarino and Mr S McCall.

Mr Guarino ceased employment effective 31 August 2017 and was paid $761,000. The termination payment represented the balance of accrued annual and long service leave ($311,000), contracted one year's salary redundancy ($348,000), seven weeks in lieu of notice ($44,000), superannuation ($20,000) and transfer of legal ownership of vehicle ($38,000).

Mr S McCall ceased employment effective 8 September 2017 and was paid $24,000. The termination payment represented the balance of accrued annual leave.

***Acting arrangements***

When members of key management personnel are unable to fulfil their duties, consideration is given to appointing another member of senior staff to their position during their period of absence.

Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month, and the role has been fully delegated to the individual.

There were no acting arrangements for the current year.

## *Directors' remuneration*

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

| 2018 Director remuneration[1] | | Directors' fees $'000 | Committee fees $'000 | Superannuation[2] $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Non-executive Directors** | | | | | |
| Mr M Grainger – Chairman | Full term | 81 | 5 | 8 | 94 |
| Capt. R Burgess | Full term | 40 | – | 4 | 44 |
| Ms S Ewart | Full term | 40 | 7 | 5 | 52 |
| Ms C Filson | Full term | 40 | 5 | 4 | 49 |
| Ms H Galloway | Full term | 40 | 5 | 4 | 49 |
| Mr R Heazlewood | Full term | 40 | – | 4 | 44 |
| **Executive Director[3]** | | | | | |
| Mr B Dwyer – CEO | Full year | – | – | – | – |
| **Total** | | **281** | **22** | **29** | **332** |

| 2017 Director remuneration[1] | | Directors' fees $'000 | Committee fees $'000 | Superannuation[2] $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Non-executive Directors** | | | | | |
| Mr M Grainger – Chairman | Full term | 79 | 5 | 8 | 92 |
| Capt. R Burgess | From November 2016 | 25 | – | 2 | 27 |
| Mr R Chadwick AM | To Nov. 2016 | 16 | 2 | 2 | 20 |
| Ms S Ewart | Full term | 40 | 6 | 4 | 50 |
| Ms C Filson | Full term | 40 | 5 | 4 | 49 |
| Ms H Galloway | From Nov. 2016 | 25 | 1 | 2 | 28 |
| Dr J Hawkins | Full term | 16 | – | 2 | 18 |
| Mr R Heazlewood | Full term | 40 | – | 4 | 44 |
| **Executive Director[3]** | | | | | |
| Mr B Dwyer – CEO | Full year | – | – | – | – |
| **Total** | | **281** | **19** | **28** | **328** |

1. Amounts are all forms of consideration paid, payable or provided by the Company i.e. disclosure is made on an accruals basis at 30 June
2. Superannuation means the contribution to the superannuation fund of the individual.
3. The CEO does not receive additional remuneration in his 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:

| 2018 Executive remuneration[1] | Base Salary[2] $'000 | Incentive payments[3] $'000 | Superannuation[4] $'000 | Vehicles[5] $'000 | Other benefits[6] $'000 | Total remuneration package $'000 | Termination Benefits[7] $'000 | Other non-monetary benefits[8] $'000 | Other long-term benefits[9] $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Mr B Dwyer<br>*CEO (full year)* | 424 | – | 20 | 22 | – | **466** | – | 1 | 43 | **510** |
| Mr P Davis<br>*General Manager Port Operations (from September 2017)*[10] | 144 | 12 | 15 | 11 | – | **182** | – | – | (3) | **179** |
| Mr P Guarino<br>*General Manager Freight Services & Port Operations (to August 2017)* | 51 | – | 3 | 12 | – | **66** | 761 | 3 | (334) | **496** |
| Mr T Harlow<br>*Chief Information Officer (full year)* | 169 | 17 | 18 | 24 | – | **228** | – | 11 | 11 | **250** |
| Mr N Harriman<br>*General Manager Retail & Hospitality (full year)* | 230 | 29 | 23 | 18 | – | **300** | – | 2 | 16 | **318** |
| Ms K Holandsjo[11]<br>*General Manager Passenger Sales (from January 2018)* | 79 | 4 | 8 | 4 | – | **95** | – | 1 | (2) | **94** |
| Mr K Maynard<br>*General Manager Corporate Services (full year)* | 195 | 13 | 20 | 14 | – | **242** | – | – | 5 | **247** |
| Mr S McCall<br>*Chief Financial Officer (to September 2017)* | 54 | – | 4 | 8 | 2 | **68** | 24 | 17 | (51) | **58** |
| Mr J McGrath<br>*General Manager Human Resources (full year)* | 272 | 33 | 23 | 18 | – | **346** | – | 3 | 24 | **373** |
| Capt. S Michael<br>*General Manager Marine Operations (full year)* | 299 | 25 | 22 | 16 | – | **362** | – | – | 24 | **386** |
| Ms E Rojas<br>*General Manager Marketing (full year)* | 169 | 26 | 21 | – | 25 | **241** | – | – | (4) | **237** |
| Ms K Sayers[12]<br>*Chief Financial Officer (from August 2017)* | 211 | – | 17 | 12 | – | **240** | – | – | 15 | **255** |
| Mr I Whitechurch[13]<br>*General Manager Freight Sales (from September 2017)* | 146 | 12 | 15 | 12 | – | **185** | – | 19 | 10 | **214** |
| **Total** | **2,443** | **171** | **209** | **171** | **27** | **3,021** | **785** | **57** | **(246)** | **3,617** |

| 2017 Executive remuneration[1] | Base Salary[1] $'000 | Incentive payments[2] $'000 | Superannuation[4] $'000 | Vehicles[5] $'000 | Other benefits[6] $'000 | Total remuneration package $'000 | Termination Benefits[7] $'000 | Other non-monetary benefits[8] $'000 | Other long-term benefits[9] $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Mr B Dwyer<br>CEO (full year) | 424 | 33 | 23 | 27 | – | **507** | – | – | 22 | **529** |
| Mr P Guarino<br>General Manager Freight Services & Port Operations (full year) | 302 | 27 | 22 | 29 | – | **380** | – | 6 | (14) | **372** |
| Mr T Harlow<br>Chief Information Officer (full year) | 165 | 11 | 17 | 18 | – | **211** | – | – | (6) | **205** |
| Mr N Harriman<br>General Manager Retail & Hospitality (full year) | 225 | 34 | 23 | 16 | – | **298** | – | 2 | (6) | **294** |
| Mr K Maynard<br>General Manager Corporate Services (full year) | 190 | 22 | 20 | 14 | – | **246** | – | – | (7) | **239** |
| Mr S McCall<br>Chief Financial Officer (full year) | 285 | 41 | 24 | 20 | – | **370** | – | 5 | (13) | **362** |
| Mr J McGrath<br>General Manager Human Resources (full year) | 265 | 38 | 23 | 19 | – | **345** | – | 4 | (9) | **340** |
| Capt. S Michael<br>General Manager Marine Operations (full year) | 292 | 33 | 23 | 19 | – | **367** | – | – | (15) | **352** |
| Ms E Rojas<br>General Manager Marketing (full year) | 165 | 22 | 20 | – | 25 | **232** | – | – | (4) | **228** |
| **Total** | **2,313** | **261** | **195** | **162** | **25** | **2,956** | **–** | **17** | **(52)** | **2,921** |

1. Amounts are all forms of consideration paid, payable or provided by the Company i.e. disclosure is made on an accrual basis and includes all accrued benefits at 30 June.

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

3. 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.

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

8. Other non-monetary benefits includes all other benefits not included in the total remuneration package for the purposes of assessing compliance with the remuneration guidelines (e.g. fringe benefits tax on the sale of vehicles and tolls).

9. Other non-monetary benefits include annual leave, long service leave and long term incentive provision movements. Negative movements in non-monetary benefits are a result of employee provisions being used or no longer required due to an employee's departure.

10. Mr P Davis was appointed to the key management personnel in September 2017. Remuneration has been apportioned accordingly.

11. Ms K Holandsjo was appointed to the key management personnel in January 2018. Remuneration has been apportioned accordingly.

12. Ms K Sayers joined the Company in August 2017.

13. Mr I Whitechurch was appointed to the key management personnel in September 2017. Remuneration has been apportioned accordingly.

## 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** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| Defined benefit obligation | 9,178 | 8,667 |
| Fair value of scheme assets | (1,506) | (1,441) |
| **Net defined benefit liability** | **7,672** | **7,226** |
| Current | 124 | 113 |
| Non-current | 7,548 | 7,113 |
| **Net defined benefit liability** | **7,672** | **7,226** |

| **Reconciliation of the defined benefit obligation** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| Present value of defined benefit obligation at the beginning of the period | 8,667 | 9,786 |
| Current service cost | 176 | 229 |
| Interest cost | 367 | 344 |
| Contributions by plan participants | 47 | 46 |
| Actuarial (gains)/losses arising from changes in demographic assumptions | – | (222) |
| Actuarial (gains)/losses arising from changes in financial assumptions | 73 | (1,289) |
| Actuarial (gains)/losses arising from liability experience | (39) | (101) |
| Benefits paid | (113) | (113) |
| Estimated taxes, premiums and expenses paid | – | (13) |
| **Present value of defined benefit obligation at the end of the period** | **9,178** | **8,667** |

| **Reconciliation of the fair value of scheme assets** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| Fair value of fund assets at the beginning of the period | 1,441 | 1,379 |
| Interest income | 56 | 48 |
| Actual return on plan assets less interest income | 2 | 17 |
| Employer contributions | 73 | 77 |
| Contributions by plan participants | 47 | 46 |
| Benefits paid | (113) | (113) |
| Taxes, premiums and expenses paid | – | (13) |
| **Fair value of fund assets at the end of the period** | **1,506** | **1,441** |

***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 Tasmanian Government and RBF elect) up to the amount of 'untaxed' benefits paid to members in the year.

***Governance responsibilities***

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 Office of the Superannuation Commission, within 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 assets and liabilities)
- re-measurement.

| **Costs recognised in profit or loss** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| Current service | 176 | 229 |
| Interest | 367 | 344 |
| **Components of defined benefit cost recognised in profit or loss** | **543** | **573** |

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:** | **2018 $'000** | **2017 $'000** |
|---|---|---|
| Actuarial (gains)/losses arising from changes in demographic assumptions | – | (222) |
| Actuarial (gains)/losses arising from changes in financial assumptions | 73 | (1,289) |
| Actuarial (gains)/losses arising from liability experience | (39) | (101) |
| Actual return on plan assets less interest income | (2) | (17) |
| **Components of defined (benefit)/cost recognised in other comprehensive income** | **32** | **(1,629)** |

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*

There were no Scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.

### *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 13 July 2018, 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 3.0 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 funds' assets attributable to the Company's obligation and the basis upon which those assets have been valued.

| | **Quoted prices in active markets for identical assets** | **Significant observable inputs** | **Unobservable inputs** | **Total** |
|---|---|---|---|---|
| **2018[1]** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Asset category** | | | | |
| Cash and cash equivalents | – | – | – | – |
| Equity instruments | 238 | 316 | – | 554 |
| Unit Trusts | 496 | 442 | – | 938 |
| Debt instruments | – | – | – | – |
| Derivatives | – | – | – | – |
| Real estate | – | 14 | – | 14 |
| **Total** | **774** | **772** | **–** | **1,506** |

1 Estimated based on assets allocated to the Company at 30 June 2018 and asset allocation of the Contributory Scheme at 30 June 2017. New asset categories have been added as a result of the change in scheme administrator.

***Significant actuarial assumptions at the reporting date***

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

| **Assumptions to determine defined benefit cost and start-of-year defined benefit obligation** | **2018** % | **2017** % |
|---|---|---|
| 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 |

| **Assumptions to determine end-of-year defined benefit obligation** | **2018** % | **2017** % |
|---|---|---|
| Discount rate (active members) | 4.30 | 4.35 |
| Discount rate (pensioners) | 4.30 | 4.35 |
| Expected salary increase rate | 3.00 | 3.00 |
| Expected compulsory preserved amount increase rate | 3.00 | 3.00 |
| Expected pension increase rate | 2.50 | 2.50 |

***Sensitivity analysis***

The defined-benefit obligation at 30 June 2018, 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 | 4.30 | 2.50 | 9,178 |
| Scenario A | 3.30 | 2.50 | 10,853 |
| Scenario B | 5.30 | 2.50 | 7,873 |
| Scenario C | 4.30 | 1.50 | 8,278 |
| Scenario D | 4.30 | 3.50 | 10,277 |

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** | **2019** **$'000** |
|---|---|
| Expected employer contributions in 2019 | 124 |

***Maturity profile of the defined-benefit obligation***

The weighted average duration of the defined-benefit obligation for the Company is 16.7 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 $362.6 million (2017: $284.5 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 2017.

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 | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Balance at the beginning of the period | 15,556 | 29,319 |
| Transfers during the period | 44,348 | 26,237 |
| Dividend paid during the period | (40,000) | (40,000) |
| **Balance at the end of the period** | **19,904** | **15,556** |

## 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 on page 67 summarises the potential impact of reasonably possible changes in the US dollar price of bunker fuel for the period ended 30 June 2018 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** | **2018 $'000** | **2017 $'000** | **2018 $'000** | **2017 $'000** |
| 10% increase | 2,216 | 1,775 | 3,072 | 3,395 |
| 10% decrease | (2,216) | (1,775) | (3,072) | (3,395) |

***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 2018 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** | **2018 $'000** | **2017 $'000** | **2018 $'000** | **2017 $'000** |
| 10% increase | (1,991) | (1,616) | (2,792) | (3,086) |
| 10% decrease | 2,461 | 1,972 | 3,413 | 3,772 |

## 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 (2017: 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 $45.0 million unsecured bank overdraft facility that at 30 June 2018 was unused (2017: $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 | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Bunker fuel hedge | 10,583 | 2,320 |
| Foreign currency hedge | 20 | – |
| **Total derivative financial assets** | **10,603** | **2,320** |

| Derivative financial liabilities | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Bunker fuel hedge | – | 1,343 |
| Foreign currency hedge | 19,973 | 6 |
| **Total derivative financial liabilities** | **19,973** | **1,349** |

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

| Cash flow hedging reserve | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Balance at the beginning of the period | 682 | (2,714) |
| Effective portion of changes in fair value of cash flow hedge | (6,228) | 1,131 |
| Transfer of hedge reserve to statement of comprehensive income | (4,115) | 3,720 |
| **Net impact on equity before tax** | **(10,343)** | **4,851** |
| Deferred tax liability arising on market valuation | 3,103 | (1,455) |
| Net impact on equity after tax | **(7,240)** | **3,396** |
| Balance at the end of the period | **(6,558)** | **682** |

## 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.

| 2018 | 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 | – | 10,583 | – | 10,583 |
| Foreign currency hedge | – | 20 | – | 20 |
| **Total financial asset at FVTPL** | **–** | **10,603** | **–** | **10,603** |
| *Financial liabilities at FVTPL* | | | | |
| Bunker fuel hedge | – | – | – | – |
| Foreign currency hedge | – | 19,973 | – | 19,973 |
| **Total financial liability at FVTPL** | **–** | **19,973** | **–** | **19,973** |

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

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 2018. 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 used as cash flow hedges are expected to occur.

| 2018 - Expected cash flows | Under 1 year $'000 | 1-5 years $'000 | More than 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| **Bunker fuel hedge** | | | | |
| Assets | 9,028 | 1,556 | – | 10,583 |
| Liabilities | – | – | – | – |
| **Forward exchange contract** | | | | |
| Assets | 20 | – | – | 20 |
| Liabilities | (2,618) | (17,355) | – | (19,973) |

| 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** | | | | |
| Liabilities | (6) | – | – | (6) |

## 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 | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Cash and cash equivalents | 197,901 | 105,895 |
| Trade and other receivables | 13,962 | 13,377 |

| Financial liabilities | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Trade and other payables | 15,464 | 13,102 |

### 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 liabilities 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.

| 2018 - 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 | 26,875 | 25,000 | 5,000 | – | 141,026 | 197,901 |
| Trade and other receivables | – | – | – | – | 13,962 | 13,962 |
| **Total non-derivative financial assets** | **26,875** | **25,000** | **5,000** | **–** | **154,988** | **211,863** |
| *Non-derivative financial liabilities* | | | | | | |
| Trade and other payables | – | – | – | – | 15,464 | 15,464 |
| **Total non-derivative financial liabilities** | **–** | **–** | **–** | **–** | **15,464** | **15,464** |

| 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** |

# 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 | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Under one year | 3,301 | 3,266 |
| Longer than one year but not longer than five years | 6,887 | 9,957 |
| Longer than five years | – | – |
| **Total non-cancellable operating lease payments** | **10,188** | **13,223** |

## 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 $73,420 (2017: $70,590).

## E3 Contingent assets and liabilities

There were no material contingent assets or liabilities at 30 June 2018 (2017: 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 $90,000 (2017: $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.

## E5 Community Service Obligation

On 8 June 2016, the Tasmanian 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 2018, the Company incurred a cost of $890,000 (2017: $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

There are no new accounting standards or interpretations that impact the 2017/18 financial year.

## 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. Additional disclosures may be required around refunds, lead times of bookings and ageing of revenue in advance.
- AASB 16 – current lease commitments and an expected adoption date of 30 June 2020. The impact of this standard will continued to be monitored as new and extended leasing arrangements are considered going forward. The impact of the leasing standard has been quantified with consideration of the existing leases, the impact on the profit and loss and balance sheet would not be material as the lease commitments are reducing by $3.3 million per year and all commitments will all be nearing expiry.

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

# OTHER IMPORTANT INFORMATION (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

ABN 39 061 996 174

## 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)** | **2018** |
|---|---|
| Value of purchases from Tasmanian businesses ($'000) | 39,444 |
| Percentage of purchases from Tasmanian businesses | 22% |

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

| **Consultant** | **Location** | **Description** | **Engagement** | **2018 $'000** |
|---|---|---|---|---|
| AECOM Australia Pty Ltd | Victoria | Port infrastructure review and vessel replacement | Adhoc | 180 |
| Bevington Consulting Pty Ltd | Victoria | Operations process review | Project based | 124 |
| Corporate Communications | Tasmania | Public relations advice | Monthly Retainer | 59 |
| Figura | Sweden | Interior design for vessel replacement | Adhoc | 53 |
| Foreship Ltd | Finland | Ship engineering design for vessel replacement | Adhoc | 119 |
| Gerrard Ferrara | Victoria | Employee training and support | Adhoc | 77 |
| Halliday's Business Insights Pty Ltd | Victoria | Employee training and support | Adhoc | 61 |
| HFW Australia | Victoria | Legal services for Vessel Replacement | Adhoc | 250 |
| Hospitality Business Solutions | Victoria | Training and systems support | Adhoc | 71 |
| James C Smith & Associates P/L | Victoria | Specialised food service advice | Adhoc | 65 |
| KPMG | Tasmania | Internal audit/advice | Annual engagement | 77 |
| Page Seager | Tasmania | General legal advice | Adhoc | 82 |
| PwC Australia | New South Wales | Consulting services for Vessel Replacement | Adhoc | 64 |
| Simon Kucher & Partners | New South Wales | Yield management review and support | Adhoc | 273 |
| | | | **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** | **2018** | **2017** |
|---|---|---|
| Creditor days | 24 | 22 |

| | **Number of invoices** | **$'000** |
|---|---|---|
| Invoices due for payment (including GST) | 24,660 | 240,633 |
| Invoices paid on time (including GST) | 20,449 | 223,544 |
| Payments for interest or fees on overdue invoices | 6 | – |

SPIRIT OF TASMANIA