ANNUAL REPORT
2011-2012
TT-LINE COMPANY PTY LTD

SPIRIT OF TASMANIA

A trip to remember

COMPANY VISION

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

COMPANY MISSION

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

BUSINESS OBJECTIVES

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

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

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Report from **the Chairman**

TT-Line Company Pty Ltd, with the support of the Tasmanian Government through its dividend policy, continued to make provision for the replacement / refurbishment of the Spirit of Tasmania vessels.

The committee established by the TT-Line Board to oversee ship replacement / refurbishment continues to thoroughly examine all available options.

The timeline to report back to the full Board with a recommendation before December 2013 continues to be the target date.

Passenger numbers and passenger vehicles carried in 2011/12 fell compared to the previous financial year as expected and broadly in line with the overall fall in visitor numbers to the state (see CEO's message on page 4 for further detail).

Despite these difficulties, visitors to Tasmania who travelled on board a Spirit of Tasmania vessel injected approximately $300 million into the Tasmanian economy in 2011/12. The company also made a significant contribution to the economy through employment of staff and the purchase of goods and services. This figure, which takes account of direct and indirect spending, totals approximately $43 million.

Total revenue increased slightly ($185 million in 2011/12 compared to $181 million last financial year) and TT-Line's underlying operational profit before tax in 2011/12 was $25.4 million ($12.3 million in 2010/11). See Explanation of the Numbers Statement on page 11 for further details.

The company recorded a net loss after tax in 2011/12 of $426,000 (compared to a $506,000 profit in 2010/11). A decrease in value of the vessels from 78 million Euros to 74 million Euros (the ships are valued in Euros) was compounded by the strong Australian dollar, resulting in a revaluation expense of $23.5 million. A defined benefit superannuation expense of $2.6 million also contributed to the accounting loss.

Spirit of Tasmania I was dry docked in 2011/12. Each of our vessels is dry docked every two years for scheduled repairs and maintenance. The company has an excellent safety and reliability record thanks to this approach – in 2011/12 all voyages were completed with a high percentage on time arrivals.

On the subject of safety, the safe operation of Spirit of Tasmania I and II is a major agenda item in our monthly board papers. Overall safety is a critically important issue that we take very seriously for the obvious reasons. For example, I have personally witnessed bridge management training conducted by our officers and was very impressed with the dedication and professionalism of the team.

The company is now debt-free having reduced company debt from $75 million four years ago to zero in 2010/11.

Last year we announced funding support of $1.5 million over three years for AFL matches to be played at Blundstone Arena in Hobart.

While we were delighted with the response to the games, I am also pleased with the relationship that has developed between the North Melbourne Football Club, the AFL and Spirit of Tasmania.

Picture The TT-Line Board of Directors (from left): Rodney Chadwick, Dr Jeffrey Hawkins, Anthony Tobin, Chairman Michael Grainger, CEO Charles Griplas, Jayne Wilson & Bernard Dwyer

On the subject of safety, the safe operation of Spirit of Tasmania I and II is a major agenda item in our monthly board papers. Overall safety is a critically important issue that we take very seriously for obvious reasons.

From the outset TT-Line said this sponsorship was about more than just football – it is about promoting Tasmania as a destination and the Spirit of Tasmania as a means of getting to the state. I was therefore very pleased to read comments from the Tasmanian Hospitality Association (THA) that before a ball was bounced at the game between North Melbourne and West Coast that it was a success. Feedback from its members about bookings that weekend in Hobart were excellent. Restaurants, cafes, pubs and bars need a lift in patronage during the quieter winter months. According to the THA, the football did just that.

Given the success of the partnership, we are already looking forward to the 2013 season when North Melbourne will play two more games in Hobart given our key market is Victoria and promoting Tasmania as a winter destination.

In closing, I would like to thank my fellow Directors for their hard work and support since my appointment to the position of Chairman in February 2012, Chief Executive Officer Charles Griplas and his team for their dedication and efforts during recent challenges, and our Minister, David O'Byrne.

All have obviously made an important contribution to the operations of the business at a time of increasing costs, reduced discretionary spend and heightened competition from other domestic and international travel destinations.

As a team, we will strive to ensure that the brand and the business will continue to be an important contributor to the State's economy.

Finally, I would like to acknowledge former Chairman Denis Rogers AO, who retired from the Board this financial year, for his passionate leadership over seven years with the company. Denis made a significant and important contribution to the organisation during his tenure as Chairman, achieving some important milestones that have helped to create a good platform for the company to consolidate as a strong, modern and dynamic organisation going forward.

Michael Grainger
Chairman

Report from **the Chief Executive**

A common theme of my TT-Line Company Pty Ltd Annual Report messages since my appointment as CEO has been "continuing challenges" in the national travel market.

The 2011/12 financial year was no different.

Australians continued to choose to holiday overseas given the strength of the Australian dollar, and Tasmania continued to be impacted by strong domestic competition from other Australian destinations.

As Tourism Tasmania's visitor statistics show, holiday visitors decreased by nine per cent for the year ending June 2012. More importantly for TT-Line, our primary market, interstate visitors, was down by 10 per cent. TT-Line's passenger and passenger vehicle numbers were impacted in a similar way.

At the same time the company worked hard to contain vessel-related and administration costs, reducing expenses by approximately seven per cent. Revenue increased by $4.2 million.

The past year has seen product innovations in both our passenger and freight service offerings that create a good platform for growth to tackle future challenges.

The brand remained healthy, with top-of-mind awareness for Spirit of Tasmania as a mode of transport between Tasmania and mainland Australia increasing since last year. Recall of Spirit of Tasmania advertising continued to dominate compared to airline brands, with television the main medium for the recall.

Customer satisfaction levels were also high. This is an excellent result for the company and employees. It is very pleasing to continuously see extremely positive levels of customer satisfaction relating to the efforts of all staff.

Looking forward to 2012/13, our forecast predicts a continuing challenging trading environment. Indications are that visitor numbers to Tasmania will continue to be flat as travel intention for overseas destinations increases.

But, we remain confident that a brand refresh, fare innovations and an enhanced integrated digital strategy will place the company in a strong position to tackle the challenges ahead.

The brand remained healthy, with top-of-mind awareness for Spirit of Tasmania as a mode of transport between Tasmania and mainland Australia increasing since last year.

Spirit **People**

TT-Line achieved a further significant reduction in lost time injuries (LTI) in 2011/12.

The Look Out safety program which raises safety awareness and injury prevention continued in 2011/12, focusing on early intervention and treatment.

The Company made a number of contributions to Tasmanian charities and worthwhile organisations through its Community Spirit program, which enables work groups that achieve injury free periods to select and support local organisations.

An ongoing program of Appropriate Workplace Behaviour training and awareness has been undertaken by the Company. The program aims to ensure all employees and stakeholders understand the Company's commitment to creating and maintaining a work environment that is safe, fair, comfortable and free from inappropriate behavior.

During the reporting period the company renewed its major collective agreement with seagoing employees.

The Company made a number of contributions to Tasmanian charities and worthwhile organisations through its Community Spirit program, which enables work groups that achieve injury free periods to select and support local organisations.

Travel **Experience**

Customer satisfaction is of paramount importance for Spirit of Tasmania to remain competitive in a challenging domestic tourism market.

Independent customer satisfaction surveys were conducted on behalf of Spirit of Tasmania in March 2012.

The research found that 94 per cent of night passengers rated their travel experience as having met or exceeded their expectations.

Passengers listed level of service, comfortable seating, quality cabins and smooth sailing as key reasons behind the trip exceeding their expectations.

The research also found the likelihood of night passengers travelling again on Spirit of Tasmania remained extremely strong (95 per cent).

Overall satisfaction with the travel experience reached best practice with 90 per cent combined excellent and good scores (88 per cent last year).

Repeat travel intention for day passengers was also high with 93 per cent saying they would travel on the ship again.

The key relative brand image strength for Spirit of Tasmania is still reliability (it was the key relative brand strength last year). Uniqueness of travel also remained a significant strength.

Top of mind awareness for Spirit of Tasmania as a transport method between Tasmania and mainland Australia increased since the last independent survey in the Tasmanian market. The recall of Spirit of Tasmania advertising in Tasmania continues to dominate compared to airlines, with 78 per cent of respondents recalling Spirit of Tasmania.

In the Melbourne market, Tasmania continues to be the most popular destination for Victorian residents, and travel by ship continues to be the most popular way to travel to Tasmania (70 per cent).

The key relative brand image strength for Spirit of Tasmania is still reliability (it was the key relative brand strength last year). Uniqueness of travel also remained a significant strength.

Community **Support**

TT-Line is a strong supporter of a number of Tasmanian-based organisations, events and charities.

Spirit of Tasmania provided funding support to the Tourism Industry Council Tasmania (TICT). This included sponsorship of all Tasmanian tourism conferences. The company sees this sponsorship as an important part of contributing to the local tourism industry.

In 2011/12, the company donated $1,350 to Cancer Council Tasmania, $1,350 to Colony 47 Hobart and $5,000 to Variety the Children's Charity. Funds were raised though the Community Spirit program that enables work groups that achieve injury free periods to select and support local organisations.

The Events Committee in the Customer Contact Centre in Devonport has been fundraising for varying charities for many years. Its work continued in 2011/12, with Lifeline (Stress Down Day), Cancer Council Bandana Day, Pink Ribbon Day and Australia's biggest morning tea and Living Below the Poverty Line benefiting this year. The Company helped raise funds for Tasmanian tourism entrepreneur Rob Pennicot, who set out in a yellow dinghy to raise funds to eradicate polio.

TT-Line continued its sponsorship of Targa Tasmania in 2011/12. The company has been a sponsor since the event's inception in 1992. Targa remains an important event for the economy and the company.

Spirit of Tasmania was the official partner of the Devonport Food and Wine Festival, which launched in March 2012. The Edgewater Hotel (owned and operated by TT-Line) hosted two themed events.

As part of Spirit of Tasmania's partnership with the North Melbourne Football Club (NMFC), the company organised a junior football clinic day at Devonport Oval. Junior footballers attended the free clinic and met players. Spirit of Tasmania provided snacks, drinks and show bags for 200 children and gave away a signed jersey.

Spirit of Tasmania also gave away 1000 show bags at the NMFC family day in Melbourne. Participation in the day was an important initiative to promote Tasmania to club members.

TT-Line is a strong supporter of a number of Tasmanian-based organisations, events and charities.

Environment

2011/12 Highlights

TT-Line completed its third year of reporting under the Federal Government's National Greenhouse Energy and Reporting (NGER) Act 2007, for the 2010/11 year. The Company's report under NGER was submitted to the appropriate Federal Government Department within the required deadline of 31 October 2011. TT-Line will report on the 2011/12 NGER data by 31 October 2012.

The Company submitted its report under the Federal Government's Energy Efficiency Opportunity (EEO) Act 2006 in December 2011. The Company's public report, required under this Act can be read on Spirit of Tasmania's website.

TT-Line has established an Energy Efficiency Opportunity Committee to review and analyse potential energy efficiency opportunities identified by the Company.

An Energy Efficiency Opportunity Policy has also been adopted by the Company.

As part of the Company's recycling program more than 34,000 kilograms of glass has been removed from the vessels for recycling. The Company also recycles paper and cardboard both on shore and on the vessels.

Brand

As noted under **Travel Experience**, in the Tasmanian market top of mind awareness for Spirit of Tasmania as a transport method between Tasmania and mainland Australia has increased, while in the Melbourne market Tasmania continues to be the most popular destination for Victorian residents.

TT-Line uses a diverse range of communication methods and channels to promote its Bass Strait service.

In 2011/12, more than 1.2 million electronic direct mail and direct mail pieces were distributed to the Company's consumer database - an increase of nearly 28 per cent compared to 2010/11.

These targeted campaigns generated more than 6,500 bookings (approximately five per cent higher than last financial year) and revenue worth more than $4.2 million (two per cent higher).

The 2011/12 Seasons of Tasmania travel guide campaign generated nearly 38,000 travel guide requests and converted nearly 12 per cent into travelling passengers. The 12-month campaign comprised four seasonal guides promoting Tasmania in spring, summer, autumn and winter.

Through TT-Line's partnership with the North Melbourne Football Club, Spirit of Tasmania has gained access to its membership database of approximately 33,000 members and engaged with more than 44,000 footy fans at its round one match day sponsorship in Melbourne.

The Company's online loyalty programs have been very successful since launching last year. Nearly 13,800 people have signed up as Sailors Club members while 240 people have joined the Frequent Travellers group. In total, there are currently more than 60,000 members on Spirit of Tasmania's database.

Total web site visits increased in 2011/12 to 1,582,675 (1,420,628 last financial year). Unique visitors totalled 896,864 compared to 813,044.

Web site visits from mobile devices increased by nearly 190 per cent compared to the previous financial year, while bookings made via a mobile device increased by more than 215 per cent.

The average percentage of online bookings increased to 70 per cent in 2011/12 (62 per cent in 2010/11).

TT-Line's presence on social media platforms Facebook and Twitter also increased during the reporting period compared to last financial year – at June 2012 Spirit of Tasmania had 6,703 Facebook likes (2,616 at June 2011) and 1,320 Twitter followers compared to 837 at the same time last year.

TT-Line uses a diverse range of communication methods and channels to promote its Bass Strait service.

Safety and Reliability

Spirit of Tasmania vessels are dry docked every two years for maintenance and safety inspections. Spirit of Tasmania I was dry docked in 2011/12 at Garden Island in Sydney.

Work undertaken included the overhaul of bow and stern doors, including the insertion of several sections of a new bow ramp and stern fingers. The work was undertaken by a large team of dockyard workers and international specialists. The stabiliser fin control system was upgraded, as were the controls that activate the internal ramps, bow doors and ramps, stern and passenger ramps.

The Company completed in-water cleaning trials on both vessels' hulls during the year. This work would reduce fouling on the hull which in turn delivers fuel efficiencies.

As was the case last financial year, all voyages were completed during the financial year. It is worth noting that this is a standard Marine Operations expects to meet.

Upgrading bridge equipment was a focus in 2011/12 – vessel gyros were upgraded, upgrading works on bridge watch navigation alarm systems commenced and electronic chart display and information system software and associated components were upgraded.

Hospitality

Training has been a major area of focus this financial year. Courses undertaken include wine knowledge, Tasmanian produce and product training, customer focus and service dining training, barista training and food safety.

The entertainment offered on board was increased during summer months to ensure all our passengers have a great experience. The locally-produced Creature Tales proved an enormous success to children travelling on board. The feedback from passengers regarding this group continues to be extremely positive.

The Edgewater Hotel in Devonport (featuring 42 rooms, a restaurant, two bars, gaming facilities, and function rooms) continues to operate successfully accommodating corporate and holiday travellers. The restaurant has also proved popular with Devonport residents.

On a lighter note, Railton beer brewer Willie Simpson, from Seven Sheds brewery, recreated beer history on board Spirit of Tasmania II when he installed two wooden casks of ale on board for a month-long experiment. The casks completed 23 trips across Bass Strait to produce 400 unique, limited edition bottles of Bass Strait India Pale Ale.

Public Interest Disclosure

During the year ended 30 June 2012 the Company received no disclosures that were determined to be public interest disclosures.

Charles Griplas
Chief Executive Officer

About the **Ships**

Spirit of Tasmania I and Spirit of Tasmania II were built in 1998 by Kvaerner Masa-Yards in Finland.

They have a displacement weight of almost 30,000 tonnes and a length of 194.3 metres.

Spirit of Tasmania I and Spirit of Tasmania II cross Bass Strait at a cruising speed of 27 knots which is the equivalent of 50 kilometres per hour.

The 429 kilometre voyage across Bass Strait is roughly twice the distance by road between Devonport and Strahan on Tasmania's west coast.

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

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

Note: A knot equals one nautical mile per hour. A nautical mile equals 6,080 feet, 1,852 metres or 1.85 kilometres.

TT-Line Company Pty Ltd

Explanation of the **Numbers Statement - Unaudited**

For the Year Ended 30 June 2012

	Jun-12 $'000	Jun-11 $'000
Revenue from operations		
Devonport - Melbourne	183,315	178,808
Other Revenue	2,543	2,763
	185,858	181,571
Expenses from operations		
Devonport - Melbourne	(147,298)	(153,935)
Other expenses	(2,534)	(2,572)
	(149,832)	(156,507)
Earnings before Interest, Tax, Depreciation and Ammortisation (EBITDA)	**36,026**	**25,064**
Depreciation and Ammortisation		
Devonport - Melbourne	(11,798)	(12,264)
Other	(201)	(194)
	(11,999)	(12,458)
Earnings before Interest and Tax (EBIT)	**24,027**	**12,606**
Interest expense		
Devonport - Melbourne	-	(1,743)
Interest income		
Devonport - Melbourne	1,385	1,450
Underlying Operational Profit	**25,412**	**12,313**
Represented as follows:		
Devonport - Melbourne	25,604	12,316
Other	(192)	(3)
	25,412	**12,313**
Reconciliation to audited profit/(loss) for the period		
Underlying operational profit	25,412	12,313
Accounting adjustments		
Valuation of the ships adjustment	(23,483)	(11,600)
Defined benefits superannuation adjustment	(2,560)	(60)
Profit before taxation	**(631)**	**653**
Taxation (expense)/benefit	205	(147)
Net profit/(loss) for the year - audited	**(426)**	**506**


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TT-LINE COMPANY PTY LTD

Annual Financial Report

For the Year Ended 30 June 2012

ABN 39 061 996 174

Contents

Corporate Governance
Best Practice

While TT-Line Company Pty Ltd (Company) is not a listed company, it has adopted, where applicable, practices in compliance with the relevant sections of the ASX Corporate Governance Council, Corporate Governance Principles and Recommendations (2nd Edition) with 30 June 2010 amendments.

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

1. Lay solid foundations for management and oversight:

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

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

Accordingly, the Board is responsible for determining the strategic direction of the Company in a manner consistent with the objectives of the Company and for effective oversight of management.

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

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

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

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

The current committees are:

- Audit and Risk;
- Remuneration;
- Vessel Replacement and Procurement; and
- Director Nomination.

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

The Chief Executive Officer's performance is formally reviewed on an annual basis by the Remuneration Committee.

The Chief Executive Officer conducts formal performance appraisals on all senior managers reporting directly to him on an annual basis.

2. Structure the Board to add value:

The composition of, and appointments to, the Board are prescribed by the Company's Constitution. Appointments are made directly by the two shareholders. The appointment of Directors is conducted as per the Guidelines for Tasmanian Government Business – Board Appointments.

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

The Chairman of the Board is appointed annually by the Shareholders at the Annual General Meeting.

The Chief Executive Officer was appointed as a Director of the Company on 29 July 2009. The Chairman and remaining other Directors are independent non-executive Directors. The details of the Directors are set out on page 16.

A Board performance review is conducted on an annual basis.

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

3. Promote ethical and responsible decision-making:

The Company has adopted a Code of Conduct which governs the Company's commercial operations and the conduct of Directors, employees, consultants and all other people when they represent the Company. The Company's Code of Conduct can be read on its website at www.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.

4. Safeguard integrity in financial reporting:

The Board has established an Audit and Risk Committee. This committee is chaired by Ms. Jayne Wilson and the other members of this committee are Mr. Michael Grainger (in an ex-officio capacity), Mr. Tony Tobin (resigned 15 March 2012), Mr. Bernard Dwyer (commenced 15 March 2012) and Mr. Rodney Chadwick.

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

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

5. Make timely and balanced disclosure:

The Company is not a listed company and therefore does not have reporting obligations to the Australian Stock Exchange.

6. Respect the rights of shareholders:

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

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

7. Recognise and manage risk:

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.

The Company is committed to ensuring that all key risks are identified, assessed and appropriately managed. In this regard, consideration is given to balancing the potential costs of the 'risk', the benefits from exposure to the 'risk' and the cost of controlling the 'risk'.

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

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

8. Remunerate fairly and responsibly:

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

Director fees are set by the Tasmanian Government.

The Remuneration Committee is chaired by Mr. Michael Grainger (appointed 15 March 2012) and its other members are Mr. Rod Chadwick (appointed 15 March 2012) and Mr. Bernard Dwyer (appointed 15 March 2012). During the year Ms. Jayne Wilson chaired the Committee (resigned 15 March 2012) and Mr. Denis Rogers AO was a member (resigned 27 February 2012).

Directors' Report

The Directors of TT-Line Company Pty Ltd submit herewith the annual financial report of the Company for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors

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

Mr. Michael Grainger
Chairman from 27 February 2012. Joined the Board in 2005 in a non-executive capacity. Mr. Grainger is Managing Director of Liferaft Systems Australia Pty Ltd, Director of the Tasmanian Development Board and Chairman (Elect) of Interferry. He is a member of each of the Remuneration, Audit & Risk (appointed 15 March 2012) and Vessel Replacement and Procurement Committees.

Mr. Denis Rogers AO
Chairman to 27 February 2012. Joined the Board in 2005 in a non-executive capacity. Mr. Rogers was also Chairman of the Tasmanian Development Board. He was a member of each of the Audit & Risk and Remuneration Committees in an ex-officio capacity. Resigned on the 27 February 2012.

Ms. Jayne Wilson
Joined the Board in 2005 in a non-executive capacity. Ms. Wilson is a Director of Transend Networks Pty Ltd. She is Chairperson of the Audit & Risk Committee and was the Chairperson of the Remuneration Committee (resigned from Remuneration Committee 15 March 2012).

Mr. Anthony Tobin
Joined the Board in 2005 in a non-executive capacity. Mr. Tobin is a founding partner of Gilbert + Tobin lawyers. Mr. Tobin holds a number of directorships in the private and public sector. He is also a Director of the Committee for Economic Development of Australia and President of its NSW Advisory Council and a member of the Council of the University of Technology, Sydney. He was a member of the Audit & Risk Committee (resigned 15 March 2012) and is a member of the Vessel Replacement and Procurement Committee.

Dr. Jeffrey Hawkins
Joined the Board in 2007 in a non-executive capacity. Dr. Hawkins is Managing Director of the Asia Pacific Maritime Institute, Managing Director of Pivot Maritime International Pty Ltd and Chairman of the Australasian Network of Maritime Education and Training. He is a member of the Vessel Replacement and Procurement Committee.

Mr. Rodney Chadwick
Joined the Board in 2007 in a non-executive capacity. Mr. Chadwick is Chairman of the Monash University Medical Foundation. He has held numerous public company directorships in the past. He currently holds three directorships in the private sector and in January 2012 was appointed Deputy Chairman of the Port of Hastings Development Authority. He is a member of each of the Audit & Risk, Vessel Replacement and Procurement and Remuneration (appointed 15 March 2012) Committees.

Mr. Bernard Dwyer
Joined the Board in 2010 in a non-executive capacity. Mr. Dwyer is the Director of Tourism at the Federal Group, Director of the Tourism Industry Council of Tasmania and Director of Business Events Tasmania. He is a member of each of the Audit & Risk and Remuneration Committees (appointed 15th March 2012).

Mr. Charles Griplas
Joined the Board in 2009 in an executive capacity and is also Chief Executive Officer of TT-Line Company Pty Ltd since 2008. Director of the Tourism Industry Council of Tasmania and Brand Tasmania Council.

Remuneration of Directors and senior management

Information about the remuneration of Directors and senior management is set out in note 23 to the financial statements.

Principal activities

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

Review of operations

The Company reported a loss after tax of $0.4 million for the year ended 30 June 2012 ($0.5 million profit for 30 June 2011).

The year was a difficult one with a challenging trading environment that delivered a mix of positive and negative results against a backdrop of weaker economic conditions and a deteriorating domestic tourism sector. The Tasmanian Visitor Survey results for the year ending March 2012 showed that holiday visitors were 8% fewer than for the same period the previous year. This was on the back of a 7% decline the previous year. This continues to have a direct impact on business.

The reduced passenger demand led to the implementation of a strategy to reduce the number of winter sailings to eliminate unprofitable sailings. Costs were contained through a reduction in voyages and operational costs.

The Company is debt free and as at 30 June 2012, and in accordance with the Shareholder approved dividend policy, will continue to invest surplus funds for the replacement or refurbishment of its vessels. As the vessels age an increased call on capital will be required to maintain the vessels at the current standard.

The value of each vessel reduced from $104 million (78 million Euro) to $90 million (74 million Euro) between 2011 and 2012. The reduction in the Australian dollar value of the vessels is partly due to the movement in the AUD/EURO exchange rate. This devaluation of the vessels has resulted in an expense being recognised in the Statement of Comprehensive Income of $23 million.

Subsequent events

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

Future developments

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

Environmental regulations

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

Dividends

In accordance with the Government's stated dividend policy for TT-Line Company Pty Ltd, the Company will retain its annual cash surplus for the purpose of funding the replacement or refurbishment cost of its two vessels.

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

Indemnification and insurance of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above) against a liability incurred as such a Director to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

Directors' meetings

The below table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, 11 Board, 4 Audit & Risk Committee, 2 Remuneration Committee, 1 Nomination Committee and 3 Vessel Replacement & Procurement Committee meetings were held.

Auditor's independence declaration

The auditor's independence declaration is included on page 18 of the Directors' report.

Rounding off

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

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

On behalf of the Directors

M Grainger

J Wilson

Directors
Hobart, 14 August 2012

	Board Meeting		Audit & Risk Committee		Remuneration Committee		Nomination Committee		Vessel Replacement and Procurement Committee	
Director	Held(1)	Attended	Held(1)	Attended	Held(1)	Attended	Held(1)	Attended	Held(1)	Attended
Mr. D. Rogers AO	7	5	2	1	1	1	1	1	-	-
Ms. J. Wilson	11	11	4	4	1	1	1	1	-	-
Mr. M. Grainger	11	11	2	2	2	2	1	1	3	3
Mr. A. Tobin	11	10	3	2	-	-	1	1	3	2
Dr. J. Hawkins	11	11	-	-	-	-	1	1	3	3
Mr. R. Chadwick	11	11	4	4	1	1	1	1	3	3
Mr. B. Dwyer	11	9	1	1	1	1	1	1	-	-
Mr. C. Griplas	11	11	-	-	-	-	1	1	-	-

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

Tasmanian Audit Office

Level 4, Executive Building, 15 Murray Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6226 0100 | Fax: 03 6226 0199
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

14 August 2012

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 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) of the *Corporations Act 2001* a copy of this declaration must be included in the Directors' report.

Yours sincerely

H M Blake
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

Financial Report for the Year Ended 30 June 2012

Report on the Financial Report

I have audited the accompanying financial report of TT-Line Company Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2012 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Auditor's Opinion

In my opinion:

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

(i) giving a true and fair view of its financial position as at 30 June 2012 and its financial performance for the year ended on that date, and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

The Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

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

TASMANIAN AUDIT OFFICE

H M Blake
AUDITOR-GENERAL

HOBART
14 August 2012

Directors' Declaration

The Directors declare that:

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

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

(c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 3 to the financial statements; and

(d) although not a requirement, the Directors' have been given the declarations referred to in s.295A of the Corporations Act 2001.

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

On behalf of the Directors

M Grainger

J Wilson

Directors

Hobart, 14 August 2012

Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Note	Jun-12 $'000	Jun-11 $'000
Revenue	5	185,392	181,233
Investment revenue	6	1,385	1,450
Other gains	7	9	66
Finance costs	8	-	(1,743)
Employee benefits expense	10(a)	(57,465)	(54,570)
Other expenses	10(b)	(106,469)	(114,183)
Impairment of vessels	13	(23,483)	(11,600)
PROFIT/(LOSS) BEFORE TAX		**(631)**	**653**
Tax benefit/(expense)	9	205	(147)
NET PROFIT/(LOSS) FOR THE YEAR		**(426)**	**506**
Other comprehensive income/(loss) for the year net of tax:			
Cash flow hedge reserve	20	(2,353)	6,056
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(2,779)**	**6,562**

Notes to the financial statements are included on pages 26 to 50

Statement of Financial Position

As at 30 June 2012

	Note	Jun-12 $'000	Jun-11 $'000
CURRENT ASSETS			
Cash and cash equivalents	25	43,691	16,184
Trade and other receivables	11	15,520	13,124
Inventories	12	2,151	1,957
Other	14	1,406	1,785
TOTAL CURRENT ASSETS		**62,768**	**33,050**
NON-CURRENT ASSETS			
Property, plant and equipment	13	196,918	224,723
Deferred tax asset	9	34,440	35,191
Other	14	45	731
TOTAL NON-CURRENT ASSETS		**231,403**	**260,645**
TOTAL ASSETS		**294,171**	**293,695**
CURRENT LIABILITIES			
Trade and other payables	15	10,864	11,710
Provisions	16	7,131	7,892
Other	17	11,072	9,517
TOTAL CURRENT LIABILITIES		**29,067**	**29,119**
NON-CURRENT LIABILITIES			
Provisions	16	10,397	5,943
Deferred tax liability	9	602	2,567
Other	17	1,010	192
TOTAL NON-CURRENT LIABILITIES		**12,009**	**8,702**
TOTAL LIABILITIES		**41,076**	**37,821**
NET ASSETS		**253,095**	**255,874**
EQUITY			
Issued capital	19	328,981	328,981
Reserves	20	(1,493)	860
Accumulated losses	21	(74,393)	(73,967)
TOTAL EQUITY		**253,095**	**255,874**

Notes to the financial statements are included on pages 26 to 50

Statement of Changes in Equity

For the Year Ended 30 June 2012

	Note	Share Capital $'000	Cash Flow Hedging Reserve $'000	Accumulated Losses $'000	Total $'000
Balance at 1 July 2010		328,981	(5,196)	(74,473)	249,312
Profit for the year		-	-	506	506
Other comprehensive income for the year	20	-	6,056	-	6,056
Total comprehensive income for the year		-	6,056	506	6,562
Balance at 30 June 2011		328,981	860	(73,967)	255,874
Loss for the year		-	-	(426)	(426)
Other comprehensive loss for the year	20	-	(2,353)	-	(2,353)
Total comprehensive loss for the year		-	(2,353)	(426)	(2,779)
Balance at 30 June 2012		**328,981**	**(1,493)**	**(74,393)**	**253,095**

Notes to the financial statements are included on pages 26 to 50

Statement of Cash Flows

For the Year Ended 30 June 2012

	Note	Jun-12 $'000	Jun-11 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		202,269	199,218
Interest received		1,351	1,423
Cash payments in the course of operations		(168,444)	(174,163)
Borrowing costs paid		-	(1,840)
Net cash provided by operating activities	**25**	**35,176**	**24,638**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		123	185
Payments for property, plant and equipment		(7,792)	(8,520)
Net cash (used in) by investing activities		**(7,669)**	**(8,335)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(25,000)
Net cash (used in) financing activities		**-**	**(25,000)**
Net increase/(decrease) in cash held		27,507	(8,697)
Cash and cash equivalents at the beginning of the financial year		16,184	24,881
Cash and cash equivalents at the end of the financial year	**25**	**43,691**	**16,184**

Notes to the financial statements are included on pages 26 to 50

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 1 General information

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

No.1 Berth, The Esplanade

East Devonport Tasmania 7310

Telephone: (03) 6421 7311

Facsimile: (03) 6427 0588

The Company's principal activities are the provision of passenger, vehicle and freight shipping services between Devonport and Melbourne.

Note 2 Application of new and revised accounting standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations which have been adopted in these financial statements but have had no effect on the amounts are also set out below.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRS in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRS and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRS. The application of AASB 1054 and AASB 2011-1 in the current period has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Company is a for-profit or not-for-profit entity.

Notes to the Financial Statements

For the Year Ended 30 June 2012

Standards and Interpretations adopted with no effect on financial statements

AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Company's financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Company's financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date, the Company has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the Company's financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2012

Standards and Interpretations in issue but not yet adopted

At the date of authorisation of the financial statements, the following relevant Standards and Interpretations listed below were in issue but not yet adopted.

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', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
• AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
• AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
• AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
• AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
• AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet adopted, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied on the financial year ending
• Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
• Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
• Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

Note 3 Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 14th August 2012.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values 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.

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

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

(a) Revenue

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

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 3 Significant accounting policies (continued)

Passenger and freight

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

Interest revenue

Interest income 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 measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

On board trading

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

(b) Leasing

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

The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

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

The Company as lessee

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

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

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

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

(c) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (Refer to note 3(k) below for hedge accounting policies).

(d) Employee benefits

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

Liabilities recognised in respect of short-term employee benefits are measured at their nominal 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 to be made by the Company in respect of services provided by employees up to reporting date.

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

Actuarial gains and losses are recognised immediately in the statement of comprehensive income in the period in which they occur.

(e) Taxation

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 3 Significant accounting policies (continued)

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of 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 utilised. Such 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects tax consequences that would follow from the manner in which the Company expects, at the reporting 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 set off 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.

(f) Property, plant and equipment

Ships are carried in the statement of financial position at fair value. Fair value is determined on the basis of an annual independent market valuation prepared by external valuation experts. (Refer to note 13)

Land and buildings held for use in the production or supply of goods and services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation, plus/minus additions/disposals and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

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

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight line method. The estimated useful lives (Refer to note 4), residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets will be depreciated over the shorter of the lease term and their useful lives.

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

(g) Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 3 Significant accounting policies (continued)

indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

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

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 the profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease (Refer to note 3 (f)).

When an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (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 revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (Refer to note 3 (f)).

(h) Inventories

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

(i) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(j) Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held to maturity' investments, 'available for sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Note 3 Significant accounting policies (continued)

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

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those 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.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default in 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 original effective interest rate.

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

Financial liability and equity instruments

Classification as debt or equity

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

Financial liabilities

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

(k) Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to commodity and foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 22 to the financial statements.

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

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the Company documents the relationship between the hedging instrument and 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 that it used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Notes 9, 14, 17 and 22 set out details of the fair values of the derivative instruments used for hedging purposes.

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 3 Significant accounting policies (continued)

Fair value hedge

The Company does not have any fair value hedges.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and 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 and 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 income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously in other 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, when the hedging instrument expires or 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 recognised 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.

(l) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables 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 which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Note 4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

As described in note 3(f), the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current period, the Directors determined that the useful life of all classes of property, plant and equipment remain the same.

The following useful lives are used in the calculation of depreciation:

Leasehold improvements	12 - 30 years
Plant and equipment	3 - 8 years
Ships	30 years
Buildings	30 years

Note 13 reports the carrying amount of the Company's vessels and note 3(f) details the valuation policy. Significant judgements made in applying these policies include:

- The need for an independent valuation
- The need for the valuation to be denominated in Euro
- A residual value of $38.2 million (per vessel) based on 20% of the initial build price.

All of these assumptions include risk that can materially alter the carrying value of the ships.

Valuation of financial instruments

As described in note 22, the Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 22 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

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

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 5 Revenue

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

	2012 $'000	2011 $'000
Revenue from the sale of goods	11,846	14,298
Revenue from the provision of services	173,546	166,935
	185,392	181,233

Note 6 Investment revenue

	2012 $'000	2011 $'000
Interest revenue:		
Bank deposits	1,385	1,450

Note 7 Other gains and losses

	2012 $'000	2011 $'000
Gain on disposal of property, plant and equipment	9	66

No other gains or losses have been incurred in respect of loans and receivables or held-to-maturity investments, other than as disclosed in note 6 and impairment recognised/reversed in respect of trade receivables as disclosed in note 11.

Note 8 Finance costs

	2012 $'000	2011 $'000
Interest on bank overdraft and loans	-	1,743

Finance costs relating to financial liabilities classified as at FVTPL are included in 'other gains and losses' in note 7.

Note 9 Income tax expense

Income tax recognised in net profit or loss:

Deferred tax expense	2012 $'000	2011 $'000
Origination and reversal of temporary differences:		
Increase in deferred tax liability	1,216	816
Decrease/(increase) in deferred tax asset	(1,395)	(573)
	(179)	243
Adjustment for prior years	(26)	(96)
Total income tax (benefit)/expense	(205)	147

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 9 Income tax expense (continued)

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

	2012 $'000	2011 $'000
Profit/(loss) before tax	(631)	653
Prima facie tax expense/(benefit) at 30% (2011: 30%)	(189)	196
Non-deductible entertainment	10	47
(Under)/over provided in prior periods	(26)	(96)
Income tax (benefit)/expense recognised in the current period relating to continuing operations	(205)	147

The tax rate used for the above 2012 and 2011 reconciliations is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Income tax recognised in other comprehensive income

Deferred tax	2012 $'000	2011 $'000
Tax impact of revaluation in cash flow reserve	(1,009)	2,596
Net income tax (benefit)/expense attributable to transactions recognised in equity	(1,009)	2,596

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

2012	Balance 1 July 2011 $'000	Recognised in profit or loss (Prior periods) $'000	Recognised in profit or loss (movement) $'000	Recognised in other comprehensive income $'000	Balance 30 June 2012 $'000
Deferred tax assets					
Derivative liability – fuel hedge	199	-	-	441	640
Employee provisions	4,151	55	1,052	-	5,258
Other accruals	199	-	(179)	-	20
Property, plant and equipment	1,220	6	2,498	-	3,724
Provisions	78	-	(39)	-	39
Tax losses	29,344	(37)	(4,548)	-	24,759
	35,191	24	(1,216)	441	34,440
(Deferred tax liabilities)					
Accrued income	(48)	2	3	-	(43)
Consumables	(503)	-	(56)	-	(559)
Derivative liability – fuel hedge	(568)	-	-	568	-
Property, plant and equipment	(1,448)	-	1,448	-	-
	(2,567)	2	1,395	568	(602)
Net	32,624	26	179	1,009	33,838

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 9 Income tax expense (continued)

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

2011	Balance 1 July 2010 $'000	Recognised in profit or loss (Prior periods) $'000	Recognised in profit or loss (movement) $'000	Recognised in other comprehensive income $'000	Balance 30 June 2011 $'000
Deferred tax assets					
Derivative liability – fuel hedge	2,542	-	-	(2,343)	199
Employee provisions	4,223	1	(73)	-	4,151
Other accruals	196	-	3	-	199
Other items	133	-	(133)	-	-
Property, plant and equipment	1,181	(7)	46	-	1,220
Provisions	94	-	(16)	-	78
Tax losses	29,960	27	(643)	-	29,344
	38,329	21	(816)	(2,343)	35,191
(Deferred tax liabilities)					
Accrued income	(34)	-	(14)	-	(48)
Consumables	(410)	-	(93)	-	(503)
Derivative liability – fuel hedge	(315)	-	-	(253)	(568)
Other accruals	(104)	75	29	-	-
Property, plant and equipment	(2,099)	-	651	-	(1,448)
	(2,962)	75	573	(253)	(2,567)
Net	35,367	96	(243)	(2,596)	32,624

Unrecognised deferred tax assets and liabilities	2012 $'000	2011 $'000
Tax benefits not recognised:		
Deferred tax assets – capital losses	116	116

Note 10 Profit for the period from continuing operations

Profit for the period from continuing operations has been arrived at after charging:

(a) Employee benefits expense	2012 $'000	2011 $'000
Defined contribution plans	3,163	3,697
Defined benefit plans	2,560	60
Termination benefits	213	1,407
Other employee benefits	51,529	49,406
	57,465	54,570

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 10 Profit for the period from continuing operations (continued)

Profit for the period from continuing operations has been arrived at after charging:

(b) Other expenses	2012 $'000	2011 $'000
Depreciation of:		
Buildings, plant and equipment	1,443	1,520
Ships	10,160	10,561
Amortisation of:		
Leasehold improvements	396	377
	11,999	12,458
Tasmanian quarantine	592	592
Terminal operations	23,112	21,700
Administration	9,877	10,526
Security	3,505	3,436
Cost of food and beverages	3,478	4,211
Consumables	4,067	4,358
Repairs and maintenance	7,509	7,296
Bunker fuel and oil	34,422	41,921
Customer acquisition	7,908	7,685
	94,470	101,725
Total other expenses	106,469	114,183

Note 11 Trade and other receivables

	2012 $'000	2011 $'000
Trade receivables	13,742	11,470
Allowance for impairment	(129)	(208)
	13,613	11,262
Other debtors	1,907	1,862
Total trade and other receivables	15,520	13,124

The average credit period taken on sales of goods and services was 27 days (2011: 23 days). No interest is charged on trade receivables. The Company has recognised an allowance for impairment of 100% against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowances for impairment are recognised against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

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

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 11 Trade and other receivables (continued)

Ageing of past due but not impaired	2012 $'000	2011 $'000
60 – 90 days	1,000	702
90 – 120 days	416	294
Total	1,416	996

Movement in the allowance for impairment	2012 $'000	2011 $'000
Balance at the beginning of the period	208	312
Impairment losses recognised on receivables	3	198
Amounts written off as uncollectable	(3)	(79)
Amounts recovered during period	(79)	(223)
Balance at the end of period	129	208

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

Note 12 Inventories

	2012 $'000	2011 $'000
Shore stock at cost	72	50
Bunker fuel at cost	1,329	1,225
Maintenance stock at cost	463	402
Food and beverages at cost	287	280
	2,151	1,957

The cost of inventories recognised as an expense during the period in respect of continuing operations was $45.0 million (2011: $41.7 million).

Note 13 Property, plant and equipment

Carrying amount of:	2012 $'000	2011 $'000
Cost and/or valuation	212,904	239,042
Accumulated depreciation and impairment	(15,986)	(14,319)
	196,918	224,723
Leasehold improvements (cost)	6,000	5,973
Plant and equipment (cost)	6,389	6,495
Ships (fair value)	180,243	207,817
Buildings (cost)	3,786	3,938
Freehold land (cost)	500	500
	196,918	224,723

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 13 Property, plant and equipment (continued)

Cost or valuation	Leasehold improvements at cost	Plant and equipment at cost	Ships at fair value	Buildings at cost	Freehold land at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	13,112	10,950	223,636	5,188	500	253,386
Acquisitions	159	1,965	1,671	54	-	3,849
Major cyclical maintenance	-	-	4,671	-	-	4,671
Disposals	-	(703)	-	-	-	(703)
Gross revaluation increment/(decrement)	-	-	(22,161)	-	-	(22,161)
Balance at 1 July 2011	13,271	12,212	207,817	5,242	500	239,042
Acquisitions	423	1,250	1,207	50	-	2,930
Major cyclical maintenance	-	-	4,862	-	-	4,862
Disposals	-	(287)	-	-	-	(287)
Gross revaluation increment/(decrement)	-	-	(33,643)	-	-	(33,643)
Balance at 30 June 2012	13,694	13,175	180,243	5,292	500	212,904

Accumulated depreciation / amortisation and impairment	Leasehold improvements at cost	Plant and equipment at cost	Ships at fair value	Buildings at cost	Freehold land at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	6,921	4,975	-	1,110	-	13,006
Disposals	-	(584)	-	-	-	(584)
Depreciation expense	377	1,326	10,561	194	-	12,458
Adjustments from revaluation increment/(decrement)	-	-	(10,561)	-	-	(10,561)
Balance at 1 July 2011	7,298	5,717	-	1,304	-	14,319
Disposals	-	(172)	-	-	-	(172)
Depreciation expense	396	1,241	10,160	202	-	11,999
Adjustments from revaluation increment/(decrement)	-	-	(10,160)	-	-	(10,160)
Balance at 30 June 2012	7,694	6,786	-	1,506	-	15,986

Ships carried at fair value

An independent valuation of the Company's ships is sought annually from independent sources, being Mason Shipbrokers Limited and Simsonship AB. As the prevailing market for these types of ships is predominately in Europe, the valuation is provided in Euros. The valuation of each vessel has changed from $103.9 million (78.0 million Euro) to $90.1 million (74.0 million Euro) between 2011 and 2012. This resulted in a total reduction in the value of the ships of $33.6 million. The amount of this reduction directly attributable to movement in the exchange rate between the Australian Dollar and Euro was $17.8 million.

If the ships had been carried at cost, the depreciated carrying value of both ships would be $192.9 million.

Estimations of economic life and residual value of the ships are key judgements in the financial statements. A 10% increase/decrease in residual value of the ships would have a $0.5 million decrease/increase in depreciation in the Statement of Comprehensive Income and a $0.5 million increase/decrease in the carrying value of property, plant and equipment in the Statement of Financial Position.

A one year increase/decrease in the remaining estimated economic life of the ships would have a $0.4 million decrease/$0.5 million increase in depreciation in the Statement of Comprehensive Income and a $0.4 million increase/$0.5 million decrease in the carrying value of property, plant and equipment in the Statement of Financial Position.

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 14 Other assets

Current	2012 $'000	2011 $'000
Derivative asset – fuel hedge	70	1,162
Prepaid expenses	1,336	623
	1,406	1,785

Non-current		
Derivative asset – fuel hedge	45	731

Note 15 Trade and other payables

	2012 $'000	2011 $'000
Trade payables	10,864	11,710

The average credit period received on purchases of goods and services was 25 days (2011: 24 days). The Company has financial risk management policies in place to ensure all payables are paid within the pre-agreed credit terms.

Note 16 Provisions

	2012 $'000	2011 $'000
Workers compensation (i)	697	700
Liability for long service leave	4,485	3,768
Liability for annual leave	5,027	4,717
Liability for long term employee benefits	177	-
Defined benefit superannuation (note 18)	7,142	4,650
	17,528	13,835
Current	7,131	7,892
Non-current	10,397	5,943
	17,528	13,835

(i) The provision for workers compensation represents the best estimate of the future outflows relating to workers compensation claims. The estimate has been made on the basis of information received as at the end of the reporting period.

Note 17 Other liabilities

	2012 $'000	2011 $'000
Derivative liability– fuel hedge	2,249	663
Revenue received in advance	9,833	9,046
	12,082	9,709
Current	11,072	9,517
Non-current	1,010	192
	12,082	9,709

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 18 Retirement benefit plans

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

Plan information

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

Reconciliation of the defined benefit obligation	2012 $'000	2011 $'000
Present value of defined benefit obligations at beginning of the period	5,670	6,697
Current service cost	143	183
Interest cost	308	355
Estimated contributions by plan participants	38	48
Actuarial (gains)/losses	2,198	(461)
Estimated benefits paid	(106)	(1,138)
Estimated taxes, premiums and expenses paid	(10)	(14)
Present value of defined benefit obligations at end of period	8,241	5,670

Funded status

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.

Reconciliation of the fair value of scheme assets	2012 $'000	2011 $'000
Fair value fund assets at beginning of the period	1,020	1,416
Expected return on plan assets	76	98
Actuarial gains/(losses)	13	(81)
Estimated employer contributions	68	691
Estimated contributions by plan participants	38	48
Estimated benefits paid	(106)	(1,138)
Estimated taxes, premiums and expenses paid	(10)	(14)
Fair value of fund assets at end of the period	1,099	1,020

Reconciliation of the liabilities recognised in the statement of financial position	2012 $'000	2011 $'000
Defined benefit obligation	8,241	5,670
RBF contributory scheme assets	(1,099)	(1,020)
Net liability/(asset)	7,142	4,650
Current net liability	92	87
Non-current net liability	7,050	4,563
	7,142	4,650

Expense recognised in income statement	2012 $'000	2011 $'000
Service cost	143	183
Interest cost	308	355
Expected return on fund assets	(76)	(98)
Recognised actuarial (gains)/losses	2,185	(380)
Superannuation expense	2,560	60

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 18 Retirement benefit plans (continued)

Fund assets

The percentage invested in each asset class as at balance sheet date:

	2012	2011
Australian equities	29%	25%
International equities	18%	22%
Fixed income	12%	13%
Property	33%	19%
Alternative/Other	5%	18%
Cash	3%	3%

Fair value of fund assets

The fair value of fund assets includes no amounts relating to:

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

Expected rate of return of fund assets

The expected return on assets assumption on fund assets is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of estimated tax and investment fees.

Actual return on fund assets	2012 $'000	2011 $'000
Actual return on fund assets^	89	17

^as separate assets are not held for each company, the actual return includes any difference in the allocation of each company

Principal actuarial assumptions at the statement of financial position date

The key assumptions that were used to determine these amounts are set out in a report prepared by the State's Actuary (Mercer), dated 16th July 2012. The key assumptions were:

	2012	2011
Discount rate	3.45%	5.50%
Expected salary rate	3.50%	4.50%
Expected rate of return on fund assets	7.50%	7.50%
Expected pension increase rate	2.50%	2.50%
Expected rate of increase of compulsory preserved amounts	3.75%	4.50%

Historical information	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000
Present value of defined benefit obligation	8,241	5,670	6,697	6,271	5,393
Fair value of fund assets	(1,099)	(1,020)	(1,416)	(1,355)	(1,360)
Deficit in plan	7,142	4,650	5,281	4,916	4,033
Experience adjustments (gain) / loss - plan assets	(13)	81	(6)	(98)	232
Experience adjustments (gain) / loss - plan liabilities	9	(314)	(374)	351	450

Expected contributions	2013 $'000
Expected employer contributions	92

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 19 Issued capital and fully paid ordinary shares

	2012 $'000	2011 $'000
Ordinary shares, fully paid 328,981,230 (2011: 328,981,230)	328,981	328,981

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

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Note 20 Reserves (net of income tax)

	2012 $'000	2011 $'000
Hedging	(1,493)	860

Hedging reserve	2012 $'000	2011 $'000
Balance at beginning of financial period	860	(5,196)
Effective portion of changes in fair value of cash flow hedge	(782)	865
Transfer of hedge reserve to statement of comprehensive income	(2,580)	7,787
Net impact on equity before tax	(3,362)	8,652
Deferred tax liability arising on market valuation (note 9)	1,009	(2,596)
Net impact on equity after tax	(2,353)	6,056
Balance at end of financial period	(1,493)	860

The Company holds derivative financial instruments designated as cash flow hedges of future fuel purchases. The table above identifies the impact of cash flow hedges on equity during the period.

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Note 21 Retained earnings

	2012 $'000	2011 $'000
Balance at beginning of financial period	(73,967)	(74,473)
Profit/(loss) for the period	(426)	506
Balance at end of financial period	(74,393)	(73,967)

Note 22 Financial instruments

(a) Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the benefit to stakeholders. The Company's overall strategy remains unchanged from 2011.

The capital structure of the Company consists of net cash (cash and bank balances as detailed in note 25) and equity of the Company (comprising issued capital, reserves and retained earnings as detailed in note 19, 20 and 21).

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

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 22 Financial instruments (continued)

(b) Categories of financial instruments

Financial assets	**2012 $'000**	**2011 $'000**
Loans and receivables	15,520	13,124
Cash and cash equivalents	43,691	16,184
Derivative instrument in designated hedge accounting relationship	115	1,893

Financial liabilities		
Amortised cost	10,864	11,710
Derivative instrument in designated hedge accounting relationship	2,249	663

(c) Financial risk management objectives

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

The Company seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives as required is governed by the Company's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, bunker fuel risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a planned basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Company's treasury function reports regularly to the Board.

(d) Market risk

The Company has exposure 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; and
- Movements in the USD/AUD 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 based on the Singapore MOPS index into a Australian dollar denominated fixed price.

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

The table below summarises the impact on Net Profit and Equity for the period ended 30 June 2012 of reasonably possible changes in USD/AUD exchange rates. The sensitivity analysis assumes a 10% increase/decrease in USD/AUD in exchange rates, and holds all other variables constant e.g. designations, hedge effectiveness testing results etc.

	Net Profit		**Equity**	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
10% increase in USD/AUD exchange rate	2,168	2,089	3,295	3,694
10% decrease in USD/AUD exchange rate	(2,650)	(2,553)	(4,027)	(4,515)

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 22 Financial instruments (continued)

The table below summarises the impact on Net profit and Equity for the period ended 30 June 2012 of reasonably possible changes in the price of bunker fuel. The sensitivity analysis assumes a 10% increase/decrease in the price of bunker fuel, and holds all other variables constant e.g. Exchange rates, designations, hedge effectiveness testing results etc.

	Net Profit		Equity	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
10% increase in price M/T of fuel	(2,385)	(2,298)	(3,625)	(4,063)
10% decrease in price M/T of fuel	2,385	2,298	3,625	4,063

(e) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

(f) Interest rate risk management

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the period ended 30 June 2012 would increase/decrease by $0.2/$0.2 million (2011: decrease/increase by $0.3/$0.3 million). This is mainly attributable to the Company exposure to interest rates on its variable rate cash deposits.

The Company's sensitivity to interest rates has increased during the current period mainly due to the repayment of the fixed rate debt instrument.

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board.

Credit risk pertaining specifically to bunker fuel hedging is mitigated through 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 which might impact their ability to meet their obligations under the agreement. A similar review is undertaken prior to entering into any new agreement.

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

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company does not have any significant credit risk to any single counterparty.

The credit risk on liquid funds is limited because the counterparties are 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 account of the value of any collateral obtained.

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

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 22 Financial instruments (continued)

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturing profiles of financial assets and liabilities. This note below sets out details of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

Non-derivative

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. The tables below includes a reconciliation to the carrying amount in the statement of financial position as an example of summary quantitative data about exposure to interest rates at the end of the reporting period that an entity may provide internally to key management personnel.

2012 Fixed interest rate maturity	Floating interest rate $'000	Less than 1 year $'000	1-5 years $'000	Greater than 5 year $'000	Non-interest bearing $'000	Total $'000
Financial assets						
Cash	43,564	-	-	-	127	43,691
Receivables	-	-	-	-	15,520	15,520
	43,564	-	-	-	15,647	59,211
Financial liabilities						
Payables	-	-	-	-	10,864	10,864
Interest-bearing liabilities	-	-	-	-	-	-
	-	-	-	-	10,864	10,864

2011 Fixed interest rate maturity	Floating interest rate $'000	Less than 1 year $'000	1-5 years $'000	Greater than 5 year $'000	Non-interest bearing $'000	Total $'000
Financial assets						
Cash	16,061	-	-	-	123	16,184
Receivables	-	-	-	-	13,124	13,124
	16,061	-	-	-	13,247	29,308
						0
Financial liabilities						
Payables	-	-	-	-	11,710	11,710
Interest-bearing liabilities	-	-	-	-	-	-
	-	-	-	-	11,710	11,710

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 22 Financial instruments (continued)

Derivative

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

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

2012 Bunker fuel swap:	Expected cash flows $'000	Less than 1 year $'000	1-5 years $'000	Greater than 5 years $'000
Assets	115	70	45	-
Liabilities	(2,249)	(1,239)	(1,010)	-

2011 Bunker fuel swap:	Expected cash flows $'000	Less than 1 year $'000	1-5 years $'000	Greater than 5 years $'000
Assets	1,893	1,163	730	-
Liabilities	(663)	(471)	(192)	-

Financing facilities	2012 $'000	2011 $'000
Unsecured bank overdraft facility, reviewed annually		
amount used	-	-
amount unused	(15,000)	(15,000)

(i) Fair value of financial instruments

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

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

	2012		2011	
Non-derivative	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Financial assets				
Cash	43,691	43,691	16,184	16,184
Receivables	15,520	15,520	13,124	13.124
Financial liabilities				
Payables	10,864	10,864	11,710	11,710

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 22 Financial instruments (continued)

Derivative

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

(j) Fair Value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that included inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative financial assets	-	115	-	115
Total	-	115	-	115
Financial liabilities at FVTPL				
Non-derivative financial liabilities	-	-	-	-
Derivative financial liabilities	-	2,249	-	2,249
Total	-	2,249	-	2,249

2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative financial assets	-	1,893	-	1,893
Total	-	1,893	-	1,893
Financial liabilities at FVTPL				
Non-derivative financial liabilities	-	-	-	-
Derivative financial liabilities	-	663	-	663
Total	-	663	-	663

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

Note 23 Key management personnel compensation

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

	Short-term benefits	**Post-employment benefits**	**Other long-term benefits**	**Termination benefits**	**Share based payment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
2012	2,402,210	270,411	126,089	-	-	2,798,710
2011	2,330,264	173,793	55,022	-	-	2,559,079

Notes to the Financial Statements

For the Year Ended 30 June 2012

Note 24 Related party transactions

Transactions with key management personnel

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company and there were no material contracts involving Directors' interests at the 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 gave $132,500 (2011: $135,000) in sponsorships to the Tourism Industry Council Tasmania. Mr. B. Dwyer and Mr. C. Griplas are Directors of the Tourism Industry Council Tasmania for which they both receive no remuneration.

Details of the key management personnel compensation is disclosed in note 23.

Note 25 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in short term money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows;

	2012 $'000	2011 $'000
Cash and cash equivalents	43,691	16,184

Cash flows from operating activities	2012 $'000	2011 $'000
Profit/(loss) for the period	(426)	506
Gain on sale of non-current assets	(9)	(66)
Value decrement - Spirit of Tasmania I and II	23,484	11,600
Depreciation	11,603	12,081
Amortisation – leasehold improvements	396	377
Income tax (benefit)/expense	(205)	147
Movements in working capital		
(Increase)/decrease trade and other receivables	(2,396)	(61)
(Increase)/decrease inventories	(194)	(287)
(Increase)/decrease prepaid expenses	(713)	395
Increase/(decrease) trade and other payables	(846)	364
Increase/(decrease) revenue received in advance	789	(319)
Increase/(decrease) provisions	3,693	(99)
Net cash provided by operating activities	35,176	24,638

Notes to the Financial Statements

For the Financial Year Ended 30 June 2012

Note 26 Operating lease arrangements

Operating leases

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

Non-cancellable operating lease payments	2012 $'000	2011 $'000
Not longer than 1 year	3,602	3,961
Longer than 1 year but not longer than 5 years	9,606	10,917
Longer than 5 years	8,940	11,175
	22,148	26,053

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

Note 27 Commitments for expenditure

Capital expenditure commitments (Not longer than one year)	2012 $'000	2011 $'000
Ship improvements	98	-

Lease commitments

Non-cancellable operating lease commitments are disclosed in note 26 to the financial statements.

Note 28 Remuneration of auditors

Auditor of the Company	2012 $	2011 $
Audit of the financial report	62,710	60,880

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

Note 29 Events after the reporting date

There has not been any matter or circumstance that has arisen since the end of the reporting period, which has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future reporting periods.

Note 30 Contingent assets and liabilities

There were no material contingent assets or liabilities as at 30th June 2012 (30th June 2011: Nil)