TT-LINE COMPANY PTY LTD **2013 - 2014**

ANNUAL REPORT

SPIRIT OF TASMANIA *A trip to remember*

COMPANY VISION

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

COMPANY **MISSION**

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

BUSINESS OBJECTIVES

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

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

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REPORT FROM THE CHAIRMAN

TT-Line reported a net profit after tax of $10.4 million for the year ended 30 June 2014 (2012/13: $12.7 million) thanks to increased passenger numbers and a strong freight performance.

The Company's underlying operational profit before tax was $11.6 million (2012/13: $15.2 million). This figure is significant as it is the eighth year in a row TT-Line has achieved operational profitability. The long-term performance of the Company is even more remarkable when you stop to consider the difficult and often volatile periods for the tourism and transport sectors that we have successfully operated through.

The valuation of each vessel in Australian dollars decreased from $91.1 million to $90.0 million between 30 June 2013 and 30 June 2014 (65 million Euros to 62 million Euros – the ships are valued in Euros as this is their primary market).

Passenger numbers on Spirit of Tasmania increased by eight per cent to 357,619 in 2013/14 compared to the previous financial year (2012/13: 330,698). Though it is outside the reporting period of this Annual Report, at the time of publication our forward bookings for 2014/15 were up by 13.5 per cent as at the same time last year, showing the Company continues to increase the number of visitors to Tasmania.

The tactic to offer targeted campaign fares to encourage visitation to the state has clearly been a success.

These passengers injected an estimated $280 million into the Tasmanian economy, and the Company's direct and indirect investment in Tasmania, covering staff employment and the purchase of various goods and services, totalled approximately $52 million.

Freight volumes were consistent with last financial year at 98,511 twenty-foot equivalent units (TEUs) (2012/13: 98,725).

Safety continues to be an issue of critical importance to the Board and the Company. Workplace and ship safety is at the core of everything we do. When this approach is aligned with the Company's comprehensive ship maintenance program, it underpins the Company as a safe and reliable provider of short sea voyages across Bass Strait.

Safety is a fixed agenda item at our monthly Board meetings, so it is appropriate to reference it here. The Company recorded a further significant reduction in lost time injuries in 2013/14, with both vessels achieving their best lost-time injury-free periods on record.

Spirit of Tasmania I was dry docked in 2013/14. Each vessel is dry docked every two years for scheduled maintenance and repairs. As the vessels are now in their 16th year of operation, this work is extremely important and assists the Company to achieve its impressive operational reliability record – in 2013/14 both vessels completed every scheduled voyage.

The 2014 AFL season was the third year of the Company's partnership with the North Melbourne Football Club (NMFC) playing two games at Blundstone Arena in Hobart against St Kilda and Adelaide.

Though the games were held outside the reporting period, they attracted sell-out crowds and provided an important vehicle for the Company to promote Tasmania as a holiday destination to TT-Line's key markets during the winter months.

The partnership with the NMFC has delivered Spirit of Tasmania with significant brand recognition through national television coverage and also broader community and business benefits. For example, a survey of more than 50 Hobart-based businesses (accommodation providers, hotel, club and restaurant operators, tour and transport operators, arts and retail) found that 98 per cent supported AFL games being played in Hobart. More than half of respondents said they benefited from an increase in trade on game day compared to a typical winter weekend day and 94 per cent said winter events were either very important or important to their business. Strengthening our brand across this broad sector at

The TT-Line Board (from left) Rodney Chadwick, Robert Heazlewood, Suzanne Ewart, Bernard Dwyer, Chairman Michael Grainger, Anthony Tobin, Dr Jeffrey Hawkins and former Chief Executive Officer Charles Griplas.

a national level remains a key part of our marketing strategy.

Vessel replacement/refurbishment deliberations were finalised by the Board in 2013/14. As noted in previous annual reports, the committee established to undertake this important work was due to report back to the Board by the end of the 2013 calendar year. This work was completed on time and a report prepared and provided to the previous Tasmanian Government for consideration.

In May 2014 the Board accepted the resignation of chief executive officer Charles Griplas, effective July 2014.

Mr Griplas did an excellent job over six-and-a-half-years managing the Company through a period of great challenge. He brought excellent commercial expertise and maritime sector experience from which TT-Line benefited enormously. His contribution will be missed; however, the Board understands his decision and wishes him well as he takes on another opportunity.

Former Director Jayne Wilson tendered her resignation from the Board effective 28 February 2014. Sadly, she passed away shortly afterwards. She joined the Board in 2005 and was Chairperson of the Audit and Risk Committee until her resignation. Her contribution as a Director, and her friendship, will be greatly missed.

Finally, I would like to recognise TT-Line management and employees, my fellow Directors and our former shareholder ministers, all of whom have been strong supporters of maintaining a world class passenger and freight ferry service on Bass Strait.

A new government was elected in March 2014 and a new Minister for Infrastructure, Rene Hidding, appointed. The Board and the management team have commenced working with Mr Hidding and our other shareholder minister, Treasurer Peter Gutwein, and look forward to working closely with our shareholders as we continue to operate the critical passenger, passenger vehicle and freight service on Bass Strait.

Michael Grainger
Chairman

REPORT FROM THE CHIEF EXECUTIVE OFFICER

Passenger numbers on Spirit of Tasmania increased by eight per cent in 2013/14 (357,619) compared to the previous financial year (2012/13: 330,698). Freight volumes were consistent with last financial year at 98,511 twenty-foot equivalent units (TEUs) (2012/13: 98,725).

These are good results for the Company and Tasmania following an extended period of challenges in the domestic travel market and a downturn in economic conditions.

Spirit of Tasmania won gold at the national Australian Tourism Awards held at Luna Park in Sydney, in February 2014. The award was presented for the country's best Major Tour and / or Transport Operator category in front of more than 1,000 guests. The Australian Tourism Awards is the annual celebration of the highest achievements of Australian tourism businesses. Spirit of Tasmania defeated six other finalists to win the category, including Searoad Ferries (Victoria), AAT Kings (Northern Territory), Great Southern Rail (South Australia), Quicksilver Group (Queensland), Moonshadow Cruises (New South Wales) and Slingair Heliwork (Western Australia).

Customer satisfaction research conducted in February 2014 found overall on board satisfaction for night sailings increased from last year. More than 90 per cent of respondents said they would travel on the vessels again. For day sailings, 84 per cent of respondents rated the overall travel experience positively.

Spirit of Tasmania brand and advertising recall continued to be high. In the Company's key market of Melbourne, Spirit of Tasmania remained the brand with the highest level top of mind awareness for travel between Victoria and Tasmania. It also continued to dominate advertising recall in Melbourne with 94 per cent of respondents indicating they recall hearing and seeing Spirit of Tasmania advertising.

Importantly, travel by ship continued to be the preferred way to travel to Tasmania as opposed to flying.


SPIRIT OF TASMANIA I
DEVONPORT

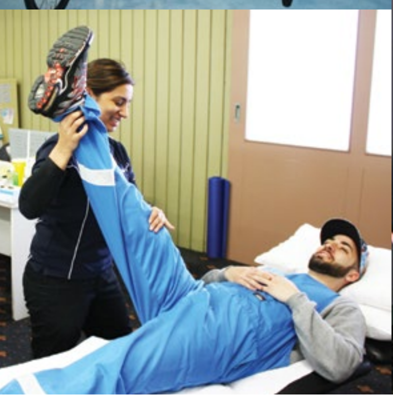
SPIRIT PEOPLE

As noted in the Chairman's message, safety continues to be an issue of critical importance to the Company. It is therefore pleasing to report that TT-Line again recorded a further significant reduction in lost-time injuries in 2013/14. Both vessels achieved lost-time injury-free periods that are best on record.

Spirit of Tasmania established an Injury Prevention Program in 2011. Since its inception, more than 90 per cent of sea-going employees have participated in the program and the results of these efforts are now being seen through lower injury rates.

Injury prevention activities were further developed in 2013/14, including the provision of physiotherapy services, manual handling training programs and a wellbeing and conditioning program.

As a result of the lost-time injury-free periods, the Company made contributions to Tasmanian charities and organisations through its Community Spirit program that enables work groups that achieve injury-free periods to select and support local organisations. As part of this program our employees donated $9,050 to Tour de Cure (a cycling event dedicated to raising funds and awareness in the fight against cancer).



COMMUNITY SUPPORT

TT-Line continued to be a strong supporter of Tasmanian organisations, events and charities.

Spirit of Tasmania provided funding support to the Tourism Industry Council Tasmania, including sponsorship of its 2013 Tasmanian Tourism Conference.

Spirit of Tasmania supported the 2014 Tour de Cure cycle event from Sydney to Hobart by providing riders and support crew with travel to and from Tasmania. This was the first time Tour de Cure had travelled to Tasmania. The tour comprised 72 riders cycling 1,576 kilometres over 10 days. Spirit of Tasmania donated $20,000 in addition to the employees' contribution, and the Company's involvement was featured nationally on Channel 7's Sunrise program over four days.

Spirit of Tasmania and the Maritime Union of Australia hosted a successful joint charity luncheon in December in Melbourne for White Ribbon, a non-profit organisation and Australia's only national, male-led prevention campaign to end men's violence against women. Nearly $100,000 was raised. Crew on board Spirit of Tasmania showed their support for White Ribbon Day (November 25) by swapping their uniform for White Ribbon Day t-shirts.

Spirit of Tasmania supported actor Samuel Johnson's trip to Tasmania as part of his round Australia trek on a unicycle to raise money for breast cancer research. His charity, 'Love your sister', was developed to support his sister, Connie, who has terminal breast cancer. He raised more than $1 million.

TT-Line continued its sponsorship of Targa Tasmania as a major partner in 2013/14. The Company has been a sponsor since the first Targa in 1992.

Spirit of Tasmania also continued its sponsorship of The Spirit Cup in partnership with the Devonport Football Club, an Australian Rules primary school program in the Devonport area.

Other organisations that benefited from sponsorships were the Rotary Club of Devonport, Ronald McDonald House, SecondBite Tasmania, Movember and Give Me 5 for Kids.

In 2013/14 TT-Line's Events Committee made donations to Make a Wish Foundation, the Heart Foundation, RSPCA Devonport, Uniting Care Tasmania – Grandparents Raising Grandchildren and Australia's Biggest Morning Tea.

TRAVE
EXPER

Spirit of Tasmania's annual customer satisfaction research was undertaken in February 2014. The study was conducted on both Tasmanian and interstate-based passengers.

The research found that the "majority of travellers continue to be very happy with the overall travel experience". More than 84 per cent of passengers rated their overall experience as excellent or good.

The main reasons for travelling to Tasmania were "holiday" and "visiting family and friends".

The majority of passengers who travelled with their car said the "benefits of taking a vehicle" and the "ability to take other equipment" were the primary motivators of travelling by sea.

The research also found high levels of "expected repeat" travel - more than 90 per cent of respondents said they would travel on the vessel again.

In both Tasmania and Melbourne, Spirit of Tasmania remained the brand with the highest level of top of mind awareness for travel between Victoria and Tasmania

Also, in Melbourne, more than 90 per cent of respondents recalled advertisements for travel between Victoria and Tasmania. Of these people, 94 per cent recalled advertisements for Spirit of Tasmania.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SAFETY AND RELIABILITY

Spirit of Tasmania I and II are held to the highest industry standards of certification and compliance, operating under the same rules and regulations as international passenger vessels.

During 2013/14, the vessels received annual certification following survey and compliance inspections.

As the vessels are now in their 16th year of operation, replacement of machinery and electronic equipment has become an annual event. In 2013/14 two exhaust gas economisers on Spirit of Tasmania I were replaced during the 20-day dry dock at Garden Island in Sydney. While the economisers were constructed overseas and shipped to Australia, the entire replacement program was undertaken by Australian workers at the dry dock facility in Sydney.

The 2013/14 financial year was another successful year in terms of voyage completion statistics with both vessels completing every scheduled voyage.

Spirit of Tasmania completes many assignments with other companies including interactive drills with various emergency response providers (Defence Department and Metropolitan Fire Brigade) that benefit both parties. Further, to ensure the vessels are maintained to the highest response capabilities, personnel on-board undertake drills on a weekly basis.

Spirit of Tasmania has for many years assisted the Bureau of Meteorology (BOM) by recording various weather and ocean data. Previously, some of this data could only be collected on a monthly basis. TT-Line and the BOM achieved a major upgrade to some of this equipment recently allowing for real time data to be passed directly to the BOM on a continuous basis. Data collected includes information on water turbidity, salinity and temperature.

ENVIRONMENT

TT-Line completed its fifth year of reporting under the Federal Government's *National Greenhouse Energy and Reporting Act 2007* in 2012/13.

The Company submitted its report under the Federal Government's *Energy Efficiency Opportunity Act 2006* in December 2013. The report can be read on the Company's website at spiritoftasmania.com.au.

TT-Line has an Energy Efficiency Opportunity Committee which reviews and analyses energy efficiency opportunities. As part of the Company's recycling program, nearly 34 tonnes of glass has been removed from the Spirit of Tasmania vessels for recycling. The Company also recycles paper and cardboard.

RETAIL AND HOSPITALITY

As one of the largest hospitality operators in Australia, food safety and hygiene is of utmost importance to Spirit of Tasmania. The food and catering services provided by the Company are incorporated within its Hazard Analysis Critical Control Point (HACCP) food safety and quality program.

Training continued to be a major area of focus this year for retail and hospitality employees. Courses undertaken included wine knowledge, Tasmanian produce and product training, customer focus and service dining training, barista training and HACCP food safety.

Spirit of Tasmania continued to showcase Tasmanian produce on board in The Leatherwood Restaurant and The Captain's Table. Ninety three per cent of wine served and 80 per cent of all food sold on board the vessels is purchased through Tasmanian suppliers.

More than 30 Tasmanian gourmet food and beverage suppliers provided passengers who travelled on Spirit of Tasmania in May and June with free tastings as part of the company's Flavours of Tassie program. The showcase also provided the suppliers with an important opportunity to sell their unique products on board the vessels.

The long list of Tasmanian participants included wine suppliers from Barringwood Park, Blue Penguin Wines, Blustery Banks Vineyard, Clover Hill, Delemere Vineyards, Derwent Estate, Goaty Hill Wines, Grey Sands Vineyard, Gryphonwood Vineyards, Jansz Tasmania, Milton Vineyard, Moores Hill Estate, Pipers Brook, and Three Wishes Vineyard. Gourmet food and condiment producers featured were 41° South Tasmania, Anvers House of Chocolates, Ashbolt Farm, Ashgrove Cheese, Bridestowe Lavender Estate, Modo Mio Naked Brownies, Pickled Sisters Pantry and Tasmanian Gourmet Sauce Co. Producers of whisky, ciders and boutique beers were Lark Distillery, Lost Pippin Cider, Moo Brew, Spreyton Cider Company, Two Metre Tall Brewing and Willie Smith Organic Cider.

Due to its success, the Flavours of Tassie program was extended from two months to seven months in the 2014 calendar year.

The Edgewater Hotel in Devonport with 42 rooms, a restaurant, two bars, gaming facilities, and function rooms accommodates corporate and holiday travellers.


HE LEATHERWOOD
estaurant


THE

HE CAPTAIN'S TABLE
50 Small $16.50 Child 5-15yr $10.00
ldren's meals must be accompanied by a
* Prices are based on per plate per
Salads
Build your own
Patato salad
Beetroot and
Continental
the day
fettuccini
provencale sauce
vegetable quiche

BRAND

A new advertising campaign, 'Sea the Difference', was launched in August. Its key objective was to highlight the many benefits to passengers travelling to Tasmania by sea.

Twelve campaigns were advertised over the course of the financial year.

Traffic to spiritoftasmania.com.au increased by 22 per cent compared to 2012/13.

Passengers who booked online in 2013/14 increased by eight per cent. Online booking remains the most popular method of buying tickets.

At the end of 2013/14, the Company's membership database totalled more than 120,000 people, a 39 per cent growth on the previous financial year.

In 2013/14, Spirit of Tasmania's Facebook "Likes" rose to more than 31,000, an 87 per cent increase compared to the previous financial year. Twitter followers increased by 29 per cent to 2,400.

Spirit of Tasmania released two editions of its 'Experience Tasmania' travel guide publications – the Outdoor Edition in January 2014 and the Food, Wine & Culture Edition in May 2014. More than 31,000 copies of the publications were requested and distributed.

Spirit of Tasmania hosted 28 individual top travel agents and coach operators from regional, suburban and metropolitan Victoria, South Australia, New South Wales and Queensland on two familiarisation trips, with the assistance of 22 Tasmanian operators, Cradle Coast Authority and The Federal Group.

Spirit of Tasmania continued its Visiting Journalist Program in partnership with Tasmanian tourism operators to bring journalists and bloggers to Tasmania. Journalists who travelled with the company represented national specialty magazines, newspapers, TV shows, online publications and bloggers.

Twenty-four media representatives travelled on Spirit of Tasmania and reported on their experience and time in Tasmania.

Spirit of Tasmania continued its partnership with the North Melbourne Football Club. In 2013/14, the Company took advantage of stadium signage at Blundstone Arena and erected 36 Spirit of Tasmania signs around the ground, including boundary signage and signage on the main scoreboard and electronic replay screen. Ninety-five metres of Spirit of Tasmania signage were displayed at Etihad Stadium in Melbourne during North Melbourne games. Spirit of Tasmania's logo featured on the North Melbourne media backdrop for use at all media conferences and promotions and also featured on the coaches' apparel.

Public Interest Disclosure

During the year ended 30 June 2014, the Company received no disclosures that were determined to be public interest disclosures.

Stuart McCall

Acting CEO


A trip to remember.
SPIRIT of TASMANIA
A trip to remember.
SPIRIT of TASMANIA
PLAYING CARDS
NUMBER 7

SHIP FACTS

CROSSING TIME & SPEED

- First commercial crossing 1 September 2002
- Average speed 27 knots
  (A knot equals 1 nautical mile per hour)
- Crossing time 9 - 11 hours

DISTANCES

Melbourne to Devonport:

- 232 nautical miles or 429 kilometres
  (1 nautical mile equals 6,080 feet
  /1,852 metres/1.85 kilometres)

GENERAL DETAILS

Owner: TT-Line Company Pty Ltd
Builder: Kvaerner Masa-Yards Finland
Year built: 1998
Ship type: RO/RO Passenger
Class: American Bureau of Shipping
Overall length: 194 metres
Overall width: 25 metres
Gross tonnage: 29,338 tonnes
Dead weight: 5,651 tonnes
Engines: 4 x 4-stroke, single-acting turbocharged diesels of 10,560kw each

CAPACITY

- Licensed to carry up to 1,400 people and 500 vehicles
- Number of seats 272
- Total berths 748
- Number of cabins 222

ACCOMMODATION

- 59 Porthole Twin Berth Cabins
- 72 Porthole Three/Four Berth Cabins
- 81 Inside Three/Four Berth Cabins
- 8 Deluxe Cabins
- 2 Wheelchair Accessible Cabins
- 146 Ocean Recliners

TT-LINE COMPANY PTY LTD

EXPLANATION OF THE NUMBERS STATEMENT - UNAUDITED

FOR THE YEAR ENDED 30 JUNE 2014

	2014 $'000	2013 $'000
Revenue from operations		
Spirit of Tasmania	195,398	184,873
Other revenue	1,926	2,279
	197,324	187,152
Expenses from operations		
Spirit of Tasmania	(170,352)	(160,308)
Other expenses	(2,069)	(2,306)
	(172,421)	(162,614)
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**24,903**	**24,538**
Depreciation and amortisation		
Spirit of Tasmania	(15,205)	(10,963)
Other	(74)	(204)
	(15,279)	(11,167)
Earnings Before Interest and Tax (EBIT)	**9,624**	**13,371**
Interest expense	(305)	(282)
Interest income	2,323	2,120
Underlying operational profit	**11,642**	**15,209**
Represented as follows;		
Spirit of Tasmania	11,859	15,440
Other	(217)	(231)
	11,642	**15,209**
Reconciliation to audited profit for the period		
Underlying operational profit	11,642	15,209
Accounting adjustments		
Adjustment for vessel valuation	3,204	2,945
Profit before taxation equivalent expense	14,846	18,154
Taxation expense	(4,463)	(5,470)
Profit for the period - audited	**10,383**	**12,684**

TT-LINE COMPANY PTY LTD

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDING 30 JUNE 2014

ABN 39 061 996 174

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CORPORATE GOVERNANCE BEST PRACTICE

While TT-Line is not a listed company, it has adopted, where applicable, practices that comply with the relevant sections of the Australian Securities Exchange (ASX) *Corporate Governance Council's Corporate Governance Principles and Recommendations* (2nd edition) including the 30 June 2010 amendments.

A third edition of the *Principles and Recommendations* was published on 27 March 2014 which is currently being considered and will be adopted, where appropriate, in due course.

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

1. Lay solid foundations for management and oversight

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

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

Accordingly, the Board is responsible for:

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

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

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

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

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

The current committees are:

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

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

The Remuneration Committee conducts a formal review of the CEO's performance annually.

The CEO conducts formal performance appraisals of all direct reporting senior managers annually.

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

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

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

The Chairman and other non-executive Directors are independent Directors. For more information about the Directors, see the included Directors' report.

The Board's performance is reviewed annually.

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

3. Act ethically and responsibly

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

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

4. Safeguard integrity in corporate reporting

The Board has established an Audit and Risk Committee. The Chairperson of this committee is Mr Rodney Chadwick. The other committee members are Mr Michael Grainger (in an ex-officio capacity), Mr Bernard Dwyer and Mr Anthony Tobin. This committee has a formal Charter that is reviewed by the Board.

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

5. Make timely and balanced disclosure

The Company is not a listed company and therefore is not obliged to report to the ASX.

6. Respect the rights of security holders

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

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

7. Recognise and manage risk

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

The Company is committed to ensuring that all key risks are identified, assessed and appropriately managed. To this end, the Board and the Audit and Risk Committee give consideration to balancing the potential cost of a risk, the benefit from exposure to the risk and the cost of controlling the risk.

The Board, and the Audit and Risk Committee in particular, 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 risk, including operational, financial and compliance risks.

The Audit and Risk Committee, with assistance from external advisers has undertaken a formal risk assessment process and documented an organisational strategic risk profile, which is subject to regular periodic updates. Management and the Audit and Risk Committee review the outputs from this process and report these outputs to the Board.

Management is responsible and accountable for implementing and managing the extent of the Company's 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 also responsible for reviewing and approving changes to executive and senior management remuneration policies and incentive programs. The Committee approves market based movements in remuneration as part of the annual remuneration review for executive management. The Remuneration Committee is responsible for recommending movements in executive management salary levels to the Board.

Directors' fees are set by the Tasmanian Government.

The Remuneration Committee is chaired by Mr Michael Grainger, and its other members are Mr Rodney Chadwick and Mr Bernard Dwyer.

DIRECTORS' REPORT

The Director's of TT-Line submit herewith the annual financial report of the Company for the financial year ended 30 June 2014. The Directors report the following in compliance with the provisions of the Corporations Act 2001 (Cth).

Information about the Directors

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

Mr Michael Grainger

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

Ms Jayne Wilson

Ms Wilson joined the Board in 2005 as a non-executive Director and was Chairperson of the Audit and Risk Committee until her resignation in February 2014. She was a Director of Transend Networks Pty Ltd and a member of the Network Integration Transition Board.

Mr Anthony Tobin

Mr Tobin joined the Board in 2005 as a non-executive Director and is a member of the Vessel Replacement and Procurement Committee and the Audit and Risk Committee. He is a founding partner of Gilbert + Tobin lawyers and holds a number of directorships in the private and public sector. Mr Tobin is a member of the Council and the Chairman of the Physical Infrastructure Committee of the University of Technology, Sydney.

Dr Jeffrey Hawkins

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

Mr Rodney Chadwick

Mr Chadwick joined the Board in 2007 as a non-executive Director and is a member of the Audit and Risk, Remuneration and Vessel Replacement and Procurement committees. He is the Chairman of the Monash University Medical Foundation and has held numerous public company directorships. Mr Chadwick currently holds three directorships in the private sector and is the Deputy Chairman of the Port of Hastings Development Authority.

Mr Bernard Dwyer

Mr Dwyer joined the Board in 2010 as a non-executive Director and is a member of the Audit and Risk Committee and Remuneration committee. He is the Chief Information Officer at the Federal Group, a Director of the Tourism Industry Council Tasmania, a member of the Royal Automobile Club of Tasmania Tourism Advisory Committee and a Director of Business Events Tasmania.

Mr Robert Heazlewood

Mr Heazlewood joined the Board in 2012 as a non-executive Director. He is the Executive Director of the Brand Tasmania Council, a Director of the Tasmanian Fruit and Nut Industry Research, Development & Extension Trust Fund and Wide Angle Tasmania.

Ms Suzanne Ewart

Ms Ewart joined the Board in 2014 as a non-executive Director. She is the Chairperson of the Box Hill Institute Board and is a Director of the Peter MacCallum Cancer Centre, the Chairperson of its Finance Committee and a member of its Audit and Risk Committee. Ms Ewart is also a Director of the Treasury Corporation of Victoria.

Mr Charles Griplas

Mr Griplas joined the Board in 2009 as an executive Director and was the CEO of TT-Line from his appointment in 2008 until his resignation in July 2014. Mr Griplas was also a Director of the Tourism Industry Council Tasmania and a Director of the Brand Tasmania Council.

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

- Ms Jayne Wilson – resigned 28 February 2014
- Mr Charles Griplas – resigned 1 July 2014
- Ms Suzanne Ewart – appointed 18 June 2014

Remuneration of Directors and senior management

Information about the remuneration of Directors and key management personnel is set out in the notes to the financial statements.

Principal activities

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

Review of operations

The Company reported a profit after tax of $10.4 million for the year ended 30 June 2014 (2013: $12.7 million profit). The year was positive with a solid increase in passenger numbers and a strong freight performance.

Workplace and ship safety are at the core of the business and, aligned with a rigorous ship maintenance program, support the Company as a safe and reliable provider of short sea voyages.

Passenger numbers were up 8% to 357,619 passengers (2013: 330,698). The Company executed marketing and media campaigns that achieved excellent metrics for advertising recall, website traffic, customer satisfaction and repeat visits including the "Sea the Difference" campaigns which were highly successful.

In the year to March 2014, Tasmania's interstate visitor demand was at record levels accounting for 3.6% of all Australian interstate trips, and this figure continues to grow. While visitor numbers to Hobart and Launceston have grown most strongly in recent years, the number of visitors to other regions of Tasmania is now growing year on year. TT-Line's key touring market, the "Visitors with their own vehicles" segment, is starting to improve after losing market share in recent years, although total visitors' average length of stay has decreased by 1% to 8.6 days in the year to March 2014. Recently, much of Tasmania's visitor growth has been dominated by short-stay trips to Hobart and Launceston, which is not TT-Line's key market; however recent signs are looking more positive for the touring market.

Freight volumes were consistent with the same period in the previous financial year, at 98,511 twenty-foot equivalent units (TEUs) (2013: 98,725). Volume improvement in this area is difficult as the vessels operate at capacity for the majority of high demand periods.

The valuation of each vessel in Australian dollars decreased from $91.1 million to $90.0 million between 30 June 2013 and 30 June 2014 (65.0 million Euros to 62.0 million Euros). The $1.1 million decrease in the fair value of each vessel was the combined result of the devaluation in Euros and the removal of selling costs in accordance with the new accounting standard, *'Fair Value Measurement' (AASB 13)* totalling $2.8 million. This was partially offset by a favourable movement of $1.7 million in the exchange rate between the Australian dollar and the Euro. In addition to the vessels' $2.2 million decrease in value during the year, they were depreciated by $13.2 million, which was written back on revaluation. The vessels also underwent $7.8 million of improvements and periodic maintenance. This was also written back on valuation. These movements resulted in a $3.2 million vessel revaluation increment, which is recorded in the statement of profit or loss.

Subsequent events

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

Future developments

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

Environmental regulations

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

Community service obligations

The Company has no community service obligations.

Dividends

No dividends have been paid or declared since the start of the 2013/14 financial year.

Indemnification and insurance of officers and auditors

During the 2013/14 financial year, the Company paid a premium for a contract insuring its Directors against liabilities incurred as Directors, to the extent permitted by the *Corporations Act 2001* (Cth). The insurance contract prohibits disclosure of the nature of the covered liability and the premium amount.

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

Directors' meetings

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

Meetings held and attended in the year ended 30 June 2014

	Board		Audit and Risk Committee		Remuneration Committee		Director Nomination Committee		Vessel Replacement and Procurement Committee	
Director	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Mr M Grainger	11	11	3	4	1	1	1	1	3	3
Ms J Wilson	5	6	2	2	–	–	1	1	–	–
Mr A Tobin	11	11	2	2	–	–	1	1	3	3
Dr J Hawkins	9	11	–	–	–	–	–	–	3	3
Mr R Chadwick	11	11	4	4	1	1	1	1	3	3
Mr B Dwyer	10	11	3	4	1	1	1	1	–	–
Mr R Heazlewood	11	11	–	–	–	–	1	1	–	–
Ms S Ewart	1	1	–	–	–	–	–	–	–	–
Mr C Griplas	11	11	–	–	–	–	1	1	3	3

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

International travel

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

International travel in the year ended 30 June 2014

Position	Number of trips	Cost of travel $'000
Chairman	–	–
Directors	1	6
CEO	2	17
Employees	2	32

Auditor's independence declaration

The auditor's independence declaration is included on page 29 of this financial report.

Rounding off

The Company is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998. 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 section 298(2) of the *Corporations Act 2001* (Cth).

On behalf of the Directors

M Grainger

R Chadwick
Directors
Hobart, 11 August 2014

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

11 August 2014

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 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

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

Yours sincerely

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

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 2014

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 2014 and the statements of profit or loss, profit or loss and 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 2014 and its financial performance for the year ended on that date

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

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

...1 of 2

Auditor's Responsibility

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

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

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

Independence

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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,* provided to the Directors dated 11 August 2014 and included in the Directors' Report, would be unchanged if provided to the Directors as at the date of this auditor's report.

Tasmanian Audit Office

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

Hobart
13 August 2014

...2 of 2

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
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Strive | Lead | Excel | To Make a Difference

DIRECTORS' DECLARATION

The Directors declare that:

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

(b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth), including complying 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 section 295A of the *Corporations Act 2001* (Cth).

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

On behalf of the Directors

M Grainger

R Chadwick

Directors

Hobart, 11 August 2014

TT-LINE COMPANY PTY LTD

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Revenue	5	196,965	186,769
Investment revenue	6	2,323	2,120
Other gains	7	5	4
		199,293	188,893
Employee benefit expenses	10(a)	(61,037)	(58,174)
Other expenses	10(b)	(126,309)	(115,228)
Finance costs	8	(305)	(282)
Asset revaluation	13	3,204	2,945
PROFIT BEFORE TAX		**14,846**	**18,154**
Tax-equivalent (expense)	9	(4,463)	(5,470)
PROFIT FOR THE YEAR		**10,383**	**12,684**

Notes to the financial statements are included on pages 38 to 70.

TT-LINE COMPANY PTY LTD

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
PROFIT FOR THE YEAR		**10,383**	**12,684**
Other comprehensive income for the year, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Recognised actuarial gains/(losses)	19	(604)	1,372
Tax-equivalent benefit/(expense) on items of comprehensive income	9	181	(412)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging reserve gain	21	577	5,373
Tax-equivalent (expense) on items of comprehensive income	9	(173)	(1,612)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,364**	**17,405**

Notes to the financial statements are included on pages 38 to 70.

TT-LINE COMPANY PTY LTD

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2014 $'000	2013 $'000
CURRENT ASSETS			
Cash and cash equivalents	25	81,328	59,021
Trade and other receivables	11	17,271	16,864
Inventories	12	3,277	3,208
Other	15	3,190	2,646
TOTAL CURRENT ASSETS		**105,066**	**81,739**
NON-CURRENT ASSETS			
Property, plant and equipment	13	191,908	194,835
Intangible	14	2,610	2,515
Deferred tax assets (net of deferred tax liability)	9	21,889	26,344
Other	15	2,528	1,861
TOTAL NON-CURRENT ASSETS		**218,935**	**225,555**
TOTAL ASSETS		**324,001**	**307,294**
CURRENT LIABILITIES			
Trade and other payables	16	10,282	8,920
Provisions	17	11,905	9,600
Other	18	12,581	10,749
TOTAL CURRENT LIABILITIES		**34,768**	**29,269**
NON-CURRENT LIABILITIES			
Provisions	17	8,362	7,510
Other	18	7	15
TOTAL NON-CURRENT LIABILITIES		**8,369**	**7,525**
TOTAL LIABILITIES		**43,137**	**36,794**
NET ASSETS		**280,864**	**270,500**
EQUITY			
Share capital	20	328,981	328,981
Cash flow hedging reserve	21	2,672	2,268
Accumulated losses		(60,749)	(60,749)
Profits reserve	21	9,960	–
TOTAL EQUITY		**280,864**	**270,500**

Notes to the financial statements are included on pages 38 to 70.

TT-LINE COMPANY PTY LTD

STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2014

	Note	Share capital $'000	Cash flow hedging reserve $'000	Accumulated losses $'000	Profits reserve $'000	Total $'000
Balance at 1 July 2012		**328,981**	**(1,493)**	**(74,393)**	**–**	**253,095**
Profit for the year		–	–	12,684	–	12,684
Other comprehensive income for the year	21	–	3,761	960	–	4,721
Total comprehensive income for the year		–	3,761	13,644	–	17,405
Balance at 30 June 2013		**328,981**	**2,268**	**(60,749)**	**–**	**270,500**
Profit for the year		–	–	10,383	–	10,383
Transfers		–	–	(9,960)	9,960	–
Other comprehensive income/ (expense) for the year	21	–	404	(423)	–	(19)
Total comprehensive income for the year		–	404	–	9,960	10,364
Balance at 30 June 2014		**328,981**	**2,672**	**(60,749)**	**9,960**	**280,864**

Notes to the financial statements are included on pages 38 to 70.

TT-LINE COMPANY PTY LTD

STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2014

	Note	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		234,103	220,109
Interest received		2,128	2,217
Cash payments in the course of operations		(204,687)	(198,347)
Net cash provided by operating activities	**25**	**31,544**	**23,979**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		176	158
Payments for property, plant and equipment		(9,413)	(8,807)
Net cash (used) by investing activities		**(9,237)**	**(8,649)**
Net increase in cash held		22,307	15,330
Cash and cash equivalents at the beginning of the financial year		59,021	43,691
Cash and cash equivalents at the end of the financial year	**25**	**81,328**	**59,021**

Notes to the financial statements are included on pages 38 to 70.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 GENERAL INFORMATION

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

No. 1 Berth, The Esplanade

East Devonport Tasmania 7310

Telephone: (03) 6421 7311

Facsimile: (03) 6427 0588

The Company's principal activities are providing passenger, vehicle and freight shipping services between Devonport and Melbourne for a commercial return.

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 were adopted in the current period and have materially affected the amounts reported and/or disclosures in these financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Company applied AASB 13 for the first time in 2013/14. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

AASB 13 only requires prospective application from 1 July 2013 rather than restating the prior year values. Further, in accordance with these transitional provisions, the Company has not made any new disclosures required by AASB 13 for the 2013 comparative period.

The impact of this new standard was given detailed consideration in the fair value approach applied to the Company's vessels, buildings, and fuel hedge derivatives. Other than the additional disclosures, and the adjustment for transaction costs the application of AASB 13 did not have any material impact on the amounts recognised in the financial statements.

Details of other standards and interpretations that were adopted in the current period but have had no effect on the amounts are also set out below.

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

In 2013/14, the Company applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments. AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and measurement of short term employee benefits.

The most significant change relates to the accounting for defined benefit obligations and plan assets. The amendments require changes in defined benefit obligations and in the fair value of plan assets to be recognised when they occur, and hence they eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income to ensure the net pension asset or liability recognised in the consolidated statement of financial position reflects the full value of the plan deficit or surplus. Furthermore, the interest costs and expected return on plan assets used in the previous version of AASB 119 are replaced with a 'net interest' amount under AASB 119 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

In addition, AASB 119 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

AASB 119 (as revised in 2011) changes the definition of short-term employee benefits. The annual leave liability still remains a current liability; however, the leave component that is expected to be taken in greater than 12 months is discounted to present value similar to long service leave liabilities. The leave balances of the Company were reviewed with consideration of the change in measurement. The outcome of the revised AASB 119 did not have any material impact on the amounts recognised in the financial statements and therefore the approach was not adopted.

Standards and Interpretations in issue but not yet adopted

On the date the financial statements were authorised the following standards and interpretations were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied on the financial year ending
• AASB 9 'Financial Instruments' and the relevant amending standards	1 January 2017	30 June 2018
• AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
• AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
• AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
• AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
• AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

When adopted, the above standards and interpretations will not materially affect the Company's financial statements.

On the date the financial statements were authorised, the following International Accounting Standards Board (IASB) Standards and International Financial Reporting Standards (IFRS) Interpretations Committee (IFRIC) Interpretations were also in issue but not yet effective, 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
• Narrow-scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014	30 June 2015
• Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014	30 June 2015
• Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014	30 June 2015
• IFRS 14 Regulatory Deferral Accounts	1 July 2016	30 June 2017

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

The Directors authorised the financial statements for issue on 11 August 2014.

Basis of preparation

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

Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability that market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised as Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company is of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998. 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 preparing and presenting 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.

<u>Passengers and freight</u>

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

<u>On-board trading</u>

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

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

b) Leasing

Leases are classified as finance leases whenever the terms of the lease substantially transfer 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. Income from finance leases is allocated to accounting periods, to reflect a constant periodic rate of return on the Company's outstanding net investment in respect of the leases.

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

The Company as lessee

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

Lease payments are apportioned between finance expenses and reduction of the lease obligations, to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as an expense 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 incentives are received for entering into operating leases, these 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 prevailing exchange rate on the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the prevailing rates on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items in a foreign currency measured in terms of historical cost are not retranslated.

d) Employee benefits

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

Liabilities recognised in respect of short-term employee benefits are measured at their current values. Per AASB 119 the leave balances were reviewed with consideration that some short term entitlements could be taken after more than 12 months and as such would require discounting. The outcome of this review was that any discounting was deemed to be immaterial.

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

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service costs (including current service costs and past service costs, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'employee benefit expenses'. Curtailment gains and losses are accounted for as past service costs.

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

e) Taxation

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

Income tax expenses include the sum of the tax currently payable and deferred tax.

<u>Current tax</u>

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

<u>Deferred tax</u>

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

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

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

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

<u>Current and deferred tax for the period</u>

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, and intangibles

Vessels are stated at fair value in the statement of financial position. Fair value is determined on the basis of an independent market valuation prepared annually by external valuation experts. This valuation is provided in Euros and translated at the prevailing exchange rate on the reporting date (see note 13). No allowance has been made for transport costs as they cannot be reliably determined.

Buildings held for the production or supply of goods and services, or for administrative purposes, are stated at their revalued amounts in the statement of financial position, being the fair value at 30 June 2013, less any subsequent accumulated depreciation, plus or minus additions or disposals and subsequent accumulated impairment losses. The associated land held for the same purpose is stated at cost in the statement of financial position.

Revaluations are performed with sufficient regularity so 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 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 the carrying amount arising on revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

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 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 (see note 4), residual values and depreciation method are reviewed at the end of each reporting period, and the effect of any changes is recognised on a prospective basis.

The following useful lives are used to calculate depreciation:

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

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

g) Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see note 3 f).

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, 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 (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see note 3 f). However, to the extent that an impairment loss on the relevant asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

h) Inventories

Inventories are stated as the lower of cost and net realisable value. Inventory costs are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories, less all estimated completion costs and necessary costs 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 the amount of the obligation can be reliably estimated.

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

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

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 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 classified as purchases or sales of financial assets that require delivery within the timeframe established by marketplace regulations or conventions.

Effective interest method

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

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

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

Certain categories of financial assets, such as trade receivables, are assessed for impairment on a collective basis even if they were individually assessed as unimpaired. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments or an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

<u>Financial liability and equity instruments</u>

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

Derecognition of financial liabilities

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

k) Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to commodity and foreign currency 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 immediately recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

<u>Embedded derivatives</u>

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

Hedge accounting

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

Notes 9, 15, 18 and 22 set out details of the fair values of the derivative instruments used for hedging purposes.

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 is accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains' or 'other losses' line items.

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

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

l) Goods and services tax

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

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

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

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

NOTE 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies (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 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

There are no judgements in applying the accounting policies that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

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

<u>Useful lives of vessels</u>

As described in note 3f, the Company reviews the vessels' estimated useful lives at the end of each reporting period. During the current period, the Directors determined that the vessels' useful life remained the same as in the previous year, being 30 years.

<u>Fair value measurements and valuation processes</u>

The Company's vessels and buildings are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages qualified third-party valuers to perform the valuation. The Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the valuation model.

Note 13 reports the carrying amount of the Company's vessels, and note 3f 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 Euros; and
- A residual value of $19.1 million per vessel based on 10% of the initial build price.

All of these assumptions include risk that can materially alter the carrying amount of the vessels.

Note 13 also reports the carrying amount of the Company's buildings, and note 3f details the valuation policy. Significant judgements made in applying these policies include the need for an independent valuation.

<u>Valuation of financial instruments</u>

As described in note 22, the Company uses valuation techniques that include using inputs 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 to determine the fair value of financial instruments, as well as a detailed sensitivity analysis for these assumptions.

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

<u>Valuation of the Company's defined benefit obligation</u>

As described in note 19, the Company uses valuation techniques to determine the defined benefit obligation. The key assumptions used for this valuation are outlined in note 19.

NOTE 5 REVENUE

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

	2014 $'000	2013 $'000
Revenue from the provision of services	185,721	175,674
Revenue from the sale of goods	11,244	11,095
	196,965	186,769

NOTE 6 INVESTMENT REVENUE

	2014 $'000	2013 $'000
Interest revenue – bank deposits	2,323	2,120

NOTE 7 OTHER GAINS

	2014 $'000	2013 $'000
Gain on disposal of property, plant and equipment	5	4

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

NOTE 8 FINANCE COSTS

	Note	2014 $'000	2013 $'000
Interest cost on defined benefit superannuation plan	19	305	282

NOTE 9 TAX-EQUIVALENT EXPENSE

Tax-equivalent expense recognised in net profit or loss

Deferred tax-equivalent expense	**2014 $'000**	**2013 $'000**
Origination and reversal of temporary differences:		
Increase in deferred tax liability	2,929	980
Decrease in deferred tax asset	1,540	4,482
	4,469	5,462
Adjustment for prior years	(6)	8
Total tax-equivalent expense	4,463	5,470

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

	2014 $'000	**2013 $'000**
Profit before tax-equivalent expense	14,846	18,154
Prima facie tax-equivalent expense at 30% (2013: 30%)	4,454	5,446
Non-deductible entertainment	15	24
(Under-provided)/over-provided in prior periods	(6)	–
Tax-equivalent expense recognised in the current period, relating to continuing operations	4,463	5,470

The tax rate used for the 2014 reconciliation is the corporate tax rate of 30% (2013: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

Tax-equivalent impact recognised in other comprehensive income

Deferred tax	**2014 $'000**	**2013 $'000**
Tax-equivalent impact of actuarial gains/(losses)	(181)	412
Tax-equivalent impact of revaluation in cash flow hedging reserve	173	1,612
Net tax-equivalent expense/(benefit) attributable to transactions recognised in equity	(8)	2,024

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

2014	Balance at 1 July 2013 $'000	Recognised in profit or loss (prior periods) $'000	Recognised in profit or loss (movement) $'000	Recognised in other comprehensive income $'000	Balance at 30 June 2014 $'000
Deferred tax assets					
Derivative liability – fuel hedge	–	–	–	–	–
Employee provisions	5,133	–	379	181	5,693
Other accruals	109	–	88	–	197
Property, plant and equipment	–	–	–	–	–
Provisions	21	–	33	–	54
Tax losses	23,635	34	(2,040)	–	21,629
	28,898	34	(1,540)	181	27,573
Deferred tax liabilities					
Accrued income	(15)	–	15	–	–
Consumables	(867)	–	221	–	(646)
Derivative asset – fuel hedge	(972)	–	–	(173)	(1,145)
Property, plant and equipment	(700)	–	(3,193)	–	(3,893)
Other	–	(28)	28	–	–
	(2,554)	(28)	(2,929)	(173)	(5,684)
Net	26,344	6	(4,469)	8	21,889

2013	Balance at 1 July 2012 $'000	Recognised in profit or loss (prior periods) $'000	Recognised in profit or loss (movement) $'000	Recognised in other comprehensive income $'000	Balance at 30 June 2013 $'000
Deferred tax assets					
Derivative liability – fuel hedge	640	–	–	(640)	–
Employee provisions	5,258	–	287	(412)	5,133
Other accruals	20	–	89	–	109
Property, plant and equipment	3,724	–	(3,724)	–	–
Provisions	39	–	(18)	–	21
Tax losses	24,759	(8)	(1,116)	–	23,635
	34,440	(8)	(4,482)	(1,052)	28,898
Deferred tax liabilities					
Accrued income	(43)	–	28	–	(15)
Consumables	(559)	–	(308)	–	(867)
Derivative asset – fuel hedge	–	–	–	(972)	(972)
Property, plant and equipment	–	–	(700)	–	(700)
	(602)	–	(980)	(972)	(2,554)
Net	33,838	(8)	(5,462)	(2,024)	26,344

Unrecognised deferred tax assets and liabilities

Tax benefits not recognised	2014 $'000	2013 $'000
Deferred tax assets – capital losses	116	116

NOTE 10 PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations was calculated after charging the following:

(a) Employee benefit expenses	**2014 $'000**	**2013 $'000**
Defined contribution plans	4,169	4,058
Defined benefit plans	160	111
Termination benefits	141	388
Other employee benefits	56,567	53,617
	61,037	58,174

(b) Other expenses	**2014 $'000**	**2013 $'000**
Depreciation of:		
Buildings, plant and equipment	999	1,272
Vessels	13,212	9,121
Amortisation of:		
Leasehold improvements	436	417
Intangibles	632	357
	15,279	11,167
Terminal operations	28,622	27,391
Administration	11,580	10,425
Security	3,837	3,649
Food and beverages	2,748	2,677
Consumables	3,967	3,970
Repairs and maintenance	8,746	8,489
Bunker fuel and oil	39,103	37,256
Customer acquisition	12,427	10,204
	111,030	104,061
Total other expenses	126,309	115,228

NOTE 11 TRADE AND OTHER RECEIVABLES

	2014 $'000	**2013 $'000**
Trade receivables	15,572	15,004
Allowance for impairment	(6)	(69)
	15,566	14,935
Other debtors	1,705	1,929
Total trade and other receivables	17,271	16,864

The average credit period taken on sales of goods and services was 29 days (2013: 29 days). No interest is charged on trade receivables. The Company has recognised an allowance for impairment of 100 per cent against all receivables past due by more than 120 days because historical experience has shown that receivables past due by more than 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 referring to the 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 on a customer-by-customer basis. Credit limits attributed to customers are reviewed regularly.

Ageing past due but not impaired	2014 $'000	2013 $'000
60–90 days	175	1,364
90–120 days	45	446
Total	220	1,810

Movement in the allowance for impairment	2014 $'000	2013 $'000
Balance at the beginning of the period	69	129
Impairment losses recognised on receivables	320	58
Amounts written off as uncollectable	(333)	(91)
Amounts recovered during period	(50)	(27)
Balance at the end of period	6	69

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

NOTE 12 INVENTORIES

	2014 $'000	2013 $'000
Bunker fuel (cost)	1,718	1,829
Maintenance stock (cost)	1,231	986
Food and beverage stock (cost)	328	393
	3,277	3,208

The cost of inventories recognised as an expense during the period in respect of continuing operations was $52.4 million (2013: $51.6 million).

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Carrying amount	2014 $'000	2013 $'000
Cost and/or valuation	207,807	209,573
Accumulated depreciation and impairment	(15,899)	(14,738)
	191,908	194,835
Leasehold improvements (cost)	6,215	6,321
Plant and equipment (cost)	3,138	3,688
Vessels (fair value)	180,023	182,226
Buildings (fair value)	2,032	2,100
Freehold land (cost)	500	500
	191,908	194,835

Cost or valuation	Leasehold improvements at cost	Plant and equipment at cost	Vessels at fair value	Buildings at fair value	Freehold land at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	13,694	9,878	180,243	5,292	500	209,607
Acquisitions	738	855	1,353	29	–	2,975
Major cyclical maintenance	–	–	5,295	–	–	5,295
Disposals	–	(418)	–	–	–	(418)
Gross revaluation (decrement)	–	–	(4,665)	(3,221)	–	(7,886)
Balance at 30 June 2013	14,432	10,315	182,226	2,100	500	209,573
Acquisitions	330	546	580	6	–	1,462
Major cyclical maintenance	–	–	7,225	–	–	7,225
Disposals	–	(445)	–	–	–	(445)
Gross revaluation (decrement)	–	–	(10,008)	–	–	(10,008)
Balance at 30 June 2014	14,762	10,416	180,023	2,106	500	207,807

Accumulated depreciation/ amortisation and impairment	Leasehold improvements at cost	Plant and equipment at cost	Vessels at fair value	Buildings at fair value	Freehold land at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	7,694	5,824	–	1,506	–	15,024
Disposals	–	(265)	–	–	–	(265)
Depreciation expense	417	1,068	9,121	204	–	10,810
Adjustments from revaluation decrement	–	–	(9,121)	(1,710)	–	(10,831)
Balance at 30 June 2013	8,111	6,627	–	–	–	14,738
Disposals	–	(274)	–	–	–	(274)
Depreciation expense	436	925	13,212	74	–	14,647
Adjustments from revaluation decrement	–	–	(13,212)	–	–	(13,212)
Balance at 30 June 2014	8,547	7,278	–	74	–	15,899

Asset revaluation recognised in profit or loss:	**2014 $'000**	**2013 $'000**
Vessels		
Increase/(decrease) in fair value	(2,203)	1,983
Write back of improvements and periodic maintenance	(7,805)	(6,648)
Gross revaluation (decrement)	(10,008)	(4,665)
Depreciation	13,212	9,121
Vessel revaluation recognised in profit or loss	3,204	4,456
Buildings		
(Decrease) in fair value	–	(3,192)
Write back of improvements	–	(29)
Gross revaluation (decrement)	–	(3,221)
Depreciation	–	1,710
Building revaluation recognised in profit or loss	–	(1,511)
Total asset revaluation recognised in profit or loss	3,204	2,945

Vessels carried at fair value

The Company seeks an annual independent valuation of its vessels from Mason Shipbrokers Limited and Simsonship AB. As the prevailing market for these types of vessels is predominately in Europe, the valuation is provided in Euros.

The valuation of each vessel, in Australian dollars, decreased from $91.1 million to $90.0 million between 2013 and 2014 and reduced in Euros from 65.0 million Euros to 62.0 million Euros. The $1.1 million decrease in the fair value of each vessel was the combined result of the devaluation in base currency and the removal of selling costs in accordance with the new accounting standard, 'Fair Value Measurement' (AASB 13) totalling $2.8 million. This was partially offset by a favourable movement in the Australian dollar and Euro exchange rate of $1.7 million. In addition to the $2.2 million decrease in value for both vessels during the year, they were depreciated by $13.2 million during the year, and this was written back on revaluation. The vessels also underwent $7.8 million of improvements and periodic maintenance. This was also written down on valuation. The result of these movements was a $3.2 million vessel revaluation increment, recorded in the statement of profit or loss.

If the vessels had been carried at cost, the depreciated carrying value of both vessels would be $172.8 million.

Estimations of the vessels' economic life and residual value are key judgements in the financial statements. The Directors have reduced the residual value of the vessels to 10% (2013: 20%) of the build price. This has resulted in a $2.5 million increase in depreciation in the statement of profit or loss, and a $2.5 million decrease in the carrying value of property, plant and equipment in the statement of financial position. A further 10 per cent increase or decrease in the residual value of the vessels would result in a $0.3 million decrease or increase in depreciation in the statement of profit or loss and a $0.3 million increase or decrease in the carrying value of property, plant and equipment in the statement of financial position.

A one-year increase or decrease in the vessels' remaining estimated economic life would have a $0.6 million decrease or $0.7 million increase in depreciation in the statement of profit or loss, and a corresponding $0.6 million increase or $0.7 million decrease in the carrying value of property, plant and equipment in the statement of financial position.

Freehold land carried at cost and buildings carried at fair value

Australian Property Institute member Matthew J Page of the independent valuer Knight Frank conducted a valuation of the Edgewater Hotel land and buildings to determine their value at 30 June 2013. The freehold land has remained at cost and the buildings have been measured at fair value. Operations at the Edgewater Hotel have remained constant and it was deemed unnecessary to obtain a revised valuation at 30 June 2014. The valuation was determined by reference to market transactions on arm's-length terms.

Fair value measurement

The table below shows the assigned fair value levels for assets held by the Company. The table presents the Company's assets measured and recognised at fair value on 30 June 2014. Comparative information has not been provided, as allowed by the transitional provisions of AASB 13.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value at 30 June 2014 $'000
Vessels	–	180,023	–	182,023
Buildings	–	2,032	–	2,032
	–	182,055	–	182,055

There were no transfers between levels 1 and 2 during the year.

NOTE 14 INTANGIBLE ASSETS

Carrying amount	2014 $'000	2013 $'000
Software at cost	4,561	3,834
Accumulated amortisation	(1,951)	(1,319)
	2,610	2,515
Cost		
Balance at 1 July	3,834	3,297
Acquisitions	727	537
Balance at 30 June	4,561	3,834
Accumulated amortisation		
Balance at 1 July	1,319	962
Amortisation	632	357
Balance at 30 June	1,951	1,319

NOTE 15 OTHER ASSETS

	2014 $'000	2013 $'000
Derivative asset – fuel hedge	3,845	3,296
Prepaid expenses and other	1,873	1,211
	5,718	4,507
Current	3,190	2,646
Non-current	2,528	1,861
	5,718	4,507

NOTE 16 TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Trade payables	10,282	8,920

The average credit period received on purchases of goods and services was 23 days (2013: 25 days). The Company has financial risk management policies in place to ensure payables are paid within prearranged credit terms.

NOTE 17 PROVISIONS

	2014 $'000	2013 $'000
Workers compensation[i]	1,307	544
Liability for long service leave [ii]	5,682	4,822
Liability for annual leave	5,580	5,245
Liability for long-term employee benefits	480	404
Defined benefit obligation (see note 19)	7,045	6,095
Other	173	–
	20,267	17,110
Current	11,905	9,600
Non-current	8,362	7,510
	20,267	17,110

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 at the end of the reporting period.

ii The 2013 current/non-current classification for the Company's long service leave provision has been amended to ensure consistency with current presentation.

NOTE 18 OTHER LIABILITIES

	2014 $'000	2013 $'000
Derivative liability – fuel hedge	28	55
Revenue received in advance	12,560	10,709
	12,588	10,764
Current	12,581	10,749
Non-current	7	15
	12,588	10,764

NOTE 19 DEFINED BENEFIT OBLIGATION

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

Plan information

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

Regulatory framework

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

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

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

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

Governance responsibilities

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

- Administrating the scheme and paying beneficiaries when required in accordance with the scheme's rules.
- Managing and investing the scheme's assets; and
- Complying with the Heads of Government Agreement referred to above.

Risks

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

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

Significant events

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

Reconciliation of the net defined benefit liability/ (asset)	2014 $'000	2013 $'000
Defined benefit obligation	8,286	7,240
Fair value of plan (assets)	(1,241)	(1,145)
Net defined benefit liability	7,045	6,095
Current liability	409	90
Non-current liability	6,636	6,005
	7,045	6,095

Reconciliation of the fair value of scheme assets

	2014 $'000	2013 $'000
Fair value fund assets at the beginning of the period	1,145	1,099
Interest income	48	37
Actual return on plan assets less interest income	65	22
Employer contributions	70	68
Contributions by plan participants	33	32
Benefits paid	(110)	(102)
Taxes, premiums and expenses paid	(10)	(11)
Fair value of fund assets at the end of the period	1,241	1,145

Reconciliation of the defined benefit obligation

	2014 $'000	2013 $'000
Present value of defined benefit obligations at the beginning of the period	7,240	8,241
Current service cost	159	192
Interest cost	305	282
Contributions by plan participants	33	32
Actuarial (gains)/losses arising from changes in demographic assumptions	329	–
Actuarial (gains)/losses arising from changes in financial assumptions	265	(1,345)
Actuarial (gains)/losses arising from liability experience	75	(49)
Benefits paid	(110)	(102)
Estimated taxes, premiums and expenses paid	(10)	(11)
Present value of defined benefit obligations at the end of the period	8,286	7,240

Costs recognised in profit or loss and other comprehensive income

	2014 $'000	2013 $'000
Current service cost	159	192
Interest cost	305	282
Components of defined benefit cost recognised in profit or loss	464	474
Remeasurement of the net defined benefit liability:		
Actuarial (gains)/losses arising from changes in demographic assumptions	329	–
Actuarial (gains)/losses arising from changes in financial assumptions	265	(1,345)
Actuarial (gains)/losses arising from liability experience	75	(49)
Actual return on plan assets less interest income	(65)	22
Components of defined benefit cost recognised in other comprehensive income	604	(1,372)

Reconciliation of the effect of the asset ceiling

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

Fair value of scheme assets

2014^	Level 1 (quoted prices in active markets for identical assets) $'000	Level 2 (significant observable inputs) $'000	Level 3 (unobservable inputs) $'000	Total $'000
Asset Category				
Cash and cash equivalents	173	–	–	173
Equity instruments	443	398	35	876
Debt instruments	50	72	51	173
Derivatives	–	(6)	–	(6)
Real estate	–	25	–	25
Total	666	489	86	1,241

^Estimated based on assets allocated to the Company at 30 June 2014 and asset allocation of the RBF scheme at 30 June 2013.

Fair value of fund assets

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

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

Assets are not held separately for each reporting entity but are held for the fund as a whole. The fair value of scheme assets for each reporting entity was estimated by allocating the total fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in the report prepared by the state's actuary (Mercer), dated 11 July 2014.

Significant actuarial assumptions at the reporting date

Assumptions to determine defined benefit cost and start-of-year defined benefit obligation	2014 %	2013 %
Discount rate (active members)	4.25	3.45
Discount rate (pensioners)	4.25	3.45
Expected compulsory preserved amount increase rate	3.75	3.75
Expected salary increase rate	3.00	3.50
Expected pension increase rate	2.50	2.50

Assumptions to determine end-of-year defined benefit obligation	2014 %	2013 %
Discount rate (active members)	4.10	4.25
Discount rate (pensioners)	4.10	4.25
Expected salary increase rate	3.00	3.00
Expected compulsory preserved amount increase rate	4.50	3.75
Expected pension increase rate	2.50	2.50

Sensitivity analysis

The defined benefit obligation under several scenarios at 30 June 2014 is presented below. Scenarios A and B relate to discount rate sensitivity, while scenarios C and D relate to expected pension increase rate sensitivity:

- Scenario A: 0.5% pa lower discount rate assumption;
- Scenario B: 0.5% pa higher discount rate assumption;
- Scenario C: 0.5% pa lower expected pension increase rate assumption; and
- Scenario D: 0.5% pa higher expected pension increase rate assumption

	Base case	Scenario A -0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C -0.5% pa pension increase rate	Scenario D +0.5% pa pension increase rate
Discount rate	4.10% pa	3.60% pa	4.60% pa	4.10% pa	4.10% pa
Pension Increase rate	2.50% pa	2.50% pa	2.50% pa	2.00% pa	3.00% pa
Defined benefit obligation ($'000)	8,286	9,076	7,595	7,832	8,788

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

Asset and liability matching strategies

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

Funding arrangements

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

Expected contributions in 2015	2015 $'000
Expected employer contributions in 2015	409

Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation for the Company is 18.5 years.

NOTE 20 SHARE CAPITAL AND FULLY PAID ORDINARY SHARES

	2014 $'000	2013 $'000
Ordinary shares, fully paid 328,981,230 (2013: 328,981,230)	328,981	328,981

Changes to the previous Corporations Act abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company has an unlimited 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 21 RESERVES (NET OF INCOME TAX)

Cash flow hedging reserve	2014 $'000	2013 $'000
Balance at the beginning of the period	2,268	(1,493)
Effective portion of changes in fair value of cash flow hedge	2,511	5,240
Transfer of hedge reserve to statement of comprehensive income	(1,934)	133
Net impact on equity before tax	577	5,373
Deferred tax liability arising on market valuation (see note 9)	(173)	(1,612)
Net impact on equity after tax	404	3,761
Balance at the end of the period	2,672	2,268

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 from changes in the fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising from changes in the fair value of the hedging instruments, and recognised and accumulated under the heading of cash flow hedging reserve, will only be reclassified to profit or loss 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.

The Company holds the following other reserves:

- Profits reserve: Relates to profits set aside by the Company.

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 2013.

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

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

(b) Categories of financial instruments

Financial assets	2014 $'000	2013 $'000
Trade and other receivables	17,271	16,864
Cash and cash equivalents	81,328	59,021
Derivative instruments in a designated hedge accounting relationship	3,845	3,296

Financial liabilities	2014 $'000	2013 $'000
Trade and other payables	10,282	8,920
Derivative instruments in a designated hedge accounting relationship	28	55

(c) Financial risk management objectives

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

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

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

(d) Market risk

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

- Movements in the price of bunker fuel (denominated in US dollars); and
- Movements in the US and Australian dollar foreign exchange rate.

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

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

The table below summarises the impact on net profit and equity due to reasonably possible changes in US and Australian dollar exchange rates for the period ended 30 June 2014 on net profit and equity. This impact only reflects the result on the financial instrument and does not reflect the cost changes on bunker fuel. The sensitivity analysis assumes a 10 per cent increase or decrease in the US and Australian dollar exchange rate, holding all other variables constant (such as designations and hedge effectiveness testing results).

	Net profit		Equity	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
10% increase in the US$/A$ exchange rate	(2,404)	(2,101)	(3,668)	(4,951)
10% decrease in the US$/A$ exchange rate	2,938	2,569	4,483	6,052

The table below summarises the potential impact of reasonably possible changes in the US dollar price of bunker fuel for the period ended 30 June 2014 on net profit and equity. This impact only reflects the result on the financial instrument and does not reflect the cost changes on bunker fuel. The sensitivity analysis assumes a 10 per cent increase or decrease in the price of bunker fuel, holding all other variables constant (such as exchange rates, designations and hedge effectiveness testing results).

	Net profit		Equity	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
10% increase in the price per metric tonne of fuel	2,644	2,312	4,035	5,446
10% decrease in the price per metric tonne of fuel	(2,644)	(2,312)	(4,035)	(5,446)

(e) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies, which results in exposure to exchange rate fluctuations.

(f) Interest rate risk management

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the reporting period would increase or decrease by $0.4 million (2013: increase or decrease by $0.3 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate cash deposits. The Company's sensitivity to interest rates has increased during the reporting period, mainly due to the increase in cash balance held.

(g) Credit risk management

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

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

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

Trade receivables involve 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 with any single counterparty.

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

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking into account the value of any collateral obtained.

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

(h) Liquidity risk management

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

Financing facilities	2014 $'000	2013 $'000
Unsecured bank overdraft facility		
Amount unused	15,000	15,000

Liquidity and interest risk tables

Non-derivative

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities and assets, together with agreed repayment periods. These tables are based on the undiscounted cash flows of financial liabilities and the earliest date on which the Company can be required to pay. The tables include interest and principal cash flows. They also include 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.

Fixed interest rate maturity

2014	Floating interest rate $'000	Under 1 year $'000	1-5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets						
Cash	21,200	60,000	–	–	128	81,328
Receivables	–	–	–	–	17,271	17,271
Total	21,200	60,000	–	–	17,399	98,599
Financial liabilities						
Payables	–	–	–	–	10,282	10,282
Total	–	–	–	–	10,282	10,282

Fixed interest rate maturity

2013	Floating interest rate $'000	Under 1 year $'000	1-5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets						
Cash	58,894	–	–	–	127	59,021
Receivables	–	–	–	–	16,864	16,864
Total	58,894	–	–	–	16,991	75,885
Financial liabilities						
Payables	–	–	–	–	8,920	8,920
Total	–	–	–	–	8,920	8,920

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 effectiveness testing 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.

Counterparty risk was considered when measuring the effectiveness of the hedging instruments at 30 June 2014. The Company's policies with regard to credit and liquidity risk management have ensured that the effect of counterparty risk is immaterial.

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

2014	Expected cash flows $'000	Under 1 year $'000	1-5 years $'000	More than 5 years $'000
Bunker fuel swap				
Assets	3,845	1,317	2,528	–
Liabilities	(28)	(21)	(7)	–

2013	Expected cash flows $'000	Under 1 year $'000	1-5 years $'000	More than 5 years $'000
Bunker fuel swap				
Assets	3,296	1,435	1,861	–
Liabilities	(55)	(40)	(15)	–

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

Non-derivative

	2014		2013	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Cash	81,328	81,328	59,021	59,021
Receivables	17,271	17,271	16,864	16,864
Financial liabilities				
Payables	10,282	10,282	8,920	8,920

Derivatives

The fair value of bunker fuel swaps is based on mark-to-market valuation reports provided by 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 the 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.

2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at FVTPL				
Derivative financial assets	–	3,845	–	3,845
Total	–	3,845	–	3,845
Financial liabilities at FVTPL				
Derivative financial liabilities	–	(28)	–	(28)
Total	–	(28)	–	(28)

2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at FVTPL				
Derivative financial assets	–	3,296	–	3,296
Total	–	3,296	–	3,296
Financial liabilities at FVTPL				
Derivative financial liabilities	–	(55)	–	(55)
Total	–	(55)	–	(55)

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

NOTE 23 DIRECTOR AND KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to non-executive Directors and other key management personnel is set out below:

Non-executive Directors' remuneration

2014

Band	Number of Directors*	Aggregate Directors' fees $	Committee fees $	Super-annuation $	Other $
> $80,000	1	76,720	4,634	7,525	88,879
$40,001–$80,000	5	191,804	9,268	18,599	219,671
=/< $40,000	1	26,940	4,118	2,876	33,934
Total	7	295,464	18,020	29,000	342,484

2013

Band	Number of Directors*	Aggregate Directors' fees $	Committee fees $	Super-annuation $	Other $
> $80,000	1	77,252	4,634	7,370	89,256
$40,001–$80,000	5	193,158	15,445	18,780	227,383
=/< $40,000	1	28,181	–	2,536	30,717
Total	7	298,591	20,079	28,686	347,356

* Number of non-executive Directors at 30 June

Mr C Griplas received no Director's fees or benefits for his role as an executive Director.

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

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

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation. No other leave, termination or retirement benefits are accrued by, or paid to, Directors. Directors are entitled to reimbursement of expenses incurred while attending to Board business.

Non-executive Directors' remuneration is reviewed periodically. Increases are subject to approval by the Treasurer and the portfolio Minister.

Key management personnel remuneration

2014

		Cash			Other			
	Number of key management personnel*	Total base salaries $	Short-term incentive payments $	Super-annuation $	Vehicles $	Other benefit $	Employee provision movement $	Total $
$150,001–$300,000	3	592,669	53,384	56,689	34,055	–	25,254	762,051
$300,001–$450,000	4	1,096,556	106,312	80,933	75,643	10,702	133,951	1,504,097
>$450,001#	1	436,318	43,632	25,000	23,809	171	(110,350)	418,580
Total	8	2,125,543	203,328	162,622	133,507	10,873	48,855	2,684,728

2013

		Cash			Other			
	Number of key management personnel*	Total base salaries $	Short-term incentive payments $	Super-annuation $	Vehicles $	Other benefit $	Employee provision movement $	Total $
$150,001–$300,000	4	832,916	70,412	70,760	18,095	1,234	64,325	1,057,742
$300,001–$450,000	3	751,974	104,940	69,175	68,121	25,017	98,197	1,117,424
>$450,001	1	415,541	83,108	25,000	23,809	1,600	69,961	619,019
Total	8	2,000,431	258,460	164,935	110,025	27,851	232,483	2,794,185

2012

		Cash			Other			
	Number of key management personnel*	Total base salaries $	Short-term incentive payments $	Super-annuation $	Vehicles $	Other benefit $	Employee provision movement $	Total $
$150,001–$300,000	3	–	–	–	–	–	–	821,133
$300,001–$450,000	3	–	–	–	–	–	–	1,056,559
>$450,001	1	–	–	–	–	–	–	553,185
Total	7	–	–	–	–	–	–	2,430,877

* Number of key management personnel at 30 June.

Negative movement in employee provisions no longer required due to employee departure on 1 July 2014. Employee disclosed in this band to ensure comparability with prior years.

The Company has a Board endorsed remuneration policy in place. The objective of the policy is to provide clear guidelines regarding all aspects of remuneration, and to ensure employees are paid in accordance with relevant employment contracts and that reference is made to market salary rates for all positions.

The Company conducts an annual review of executive employee remuneration. The purpose of the annual remuneration review is to remunerate employees in a way that will:

- Retain and motivate high quality employees;
- Reward exceptional performance;
- Be relative to external employment markets; and
- Be relative to the Company's performance.

Two components of remuneration are reviewed as part of the annual remuneration review:

- Salary; and
- Performance incentives.

Any changes to salary or performance incentives for executive employees are payable at the discretion of the Remuneration Committee.

The Company has a Board-endorsed standard contract in place for new executive employees. The contract outlines all applicable terms and conditions such as remuneration reviews, leave entitlements, confidentiality and termination.

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 during the reporting period and there were no material contracts involving Directors' interests at the end of the reporting period.

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

During the reporting period the Company provided $130,000 (2013: $130,050) in sponsorship to the Tourism Industry Council Tasmania. Mr B Dwyer and Mr C Griplas are or were Directors of the Tourism Industry Council Tasmania, for which they both received no remuneration.

Details of the Company's key management personnel compensation are disclosed in note 23.

NOTE 25 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, as well as investments in short-term money market instruments, net of outstanding bank overdrafts. 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:

	2014 $'000	2013 $'000
Cash and cash equivalents	81,328	59,021

Cash flows from operating activities	2014 $'000	2013 $'000
Profit for the period	10,383	12,684
Gain on the sale of non-current assets	(5)	(4)
Asset impairment	(3,204)	(2,945)
Depreciation	14,211	10,750
Amortisation – leasehold improvements and intangibles	1,068	417
Income tax expense	4,463	5,470
Movements in working capital		
(Increase)/decrease in trade and other receivables	(407)	(1,344)
(Increase)/decrease in inventories	(69)	(1,057)
(Increase)/decrease in prepaid expenses	(662)	125
Increase/(decrease) in trade and other payables	1,362	(1,944)
Increase/(decrease) in revenue received in advance	1,851	876
Increase/(decrease) in provisions	2,553	951
Net cash provided by operating activities	31,544	23,979

NOTE 26 OPERATING LEASE ARRANGEMENTS

Operating leases

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

Non-cancellable operating lease payments	2014 $'000	2013 $'000
Under one year	3,004	3,454
Longer than one year but not longer than five years	8,720	8,571
Longer than five years	8,960	9,195
	20,684	21,220

The Company also acts as lessor with regard to the gaming and general stores on board the vessels, where these areas are leased to specialist third-party operators.

NOTE 27 COMMITMENTS FOR EXPENDITURE

Capital expenditure commitments (not longer than one year)	2014 $'000	2013 $'000
Vessel dry dock	5,880	4,881

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	2014 $	2013 $
Audit of the financial report	67,510	65,220

The auditor of the Company is the Tasmanian Audit Office.

NOTE 29 EVENTS AFTER THE REPORTING DATE

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

NOTE 30 CONTINGENT ASSETS AND LIABILITIES

There were no material contingent assets or liabilities at 30 June 2014 (2013: nil).